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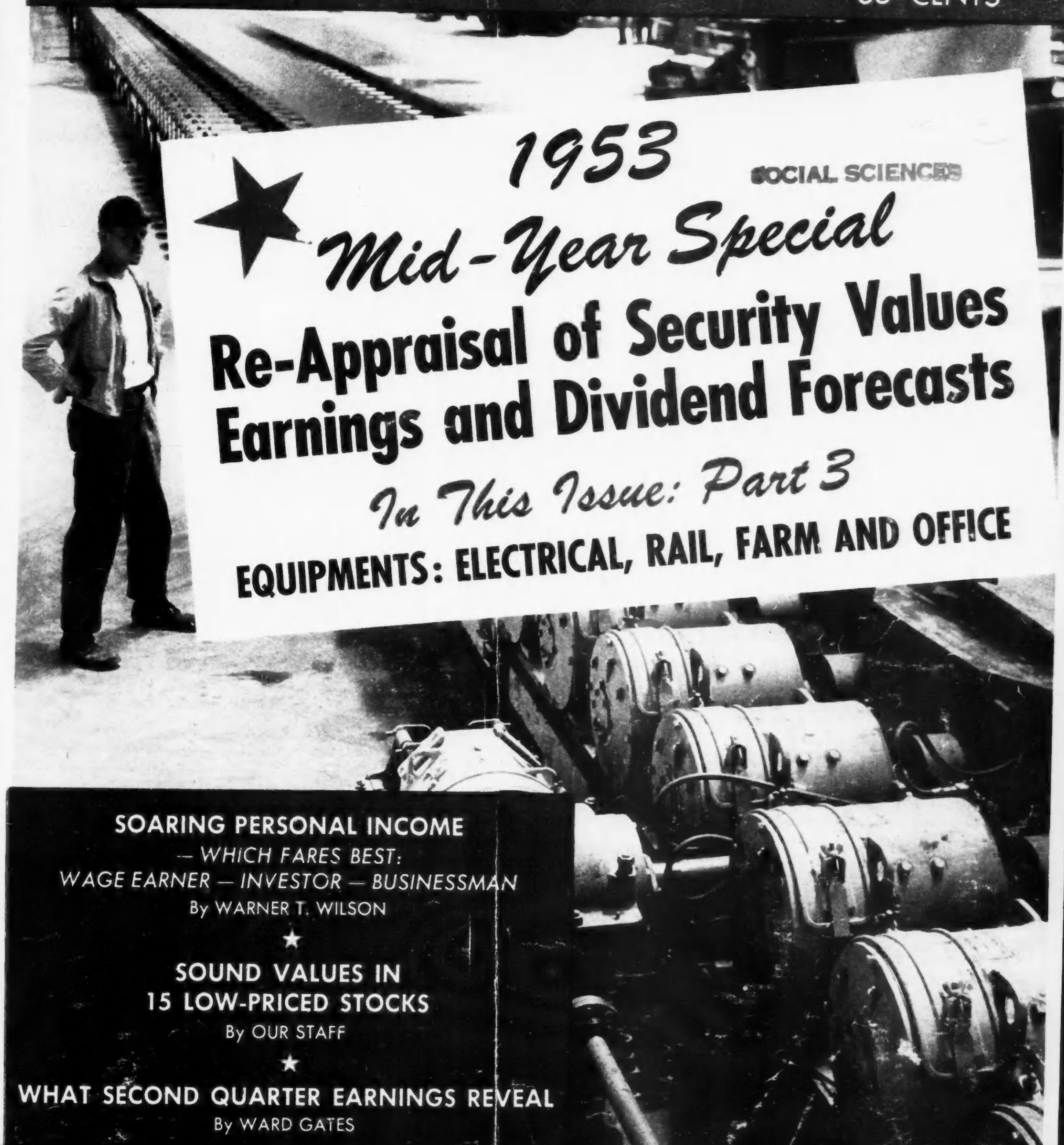

1953 ★ Mid-Year Special

Re-Appraisal of Security Values Earnings and Dividend Forecasts

In This Issue: Part 3

EQUIPMENTS: ELECTRICAL, RAIL, FARM AND OFFICE

SOARING PERSONAL INCOME
— WHICH FARES BEST:
WAGE EARNER — INVESTOR — BUSINESSMAN
By WARNER T. WILSON

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SOUND VALUES IN 15 LOW-PRICED STOCKS
By OUR STAFF

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WHAT SECOND QUARTER EARNINGS REVEAL
By WARD GATES

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and BUSINESS ANALYST

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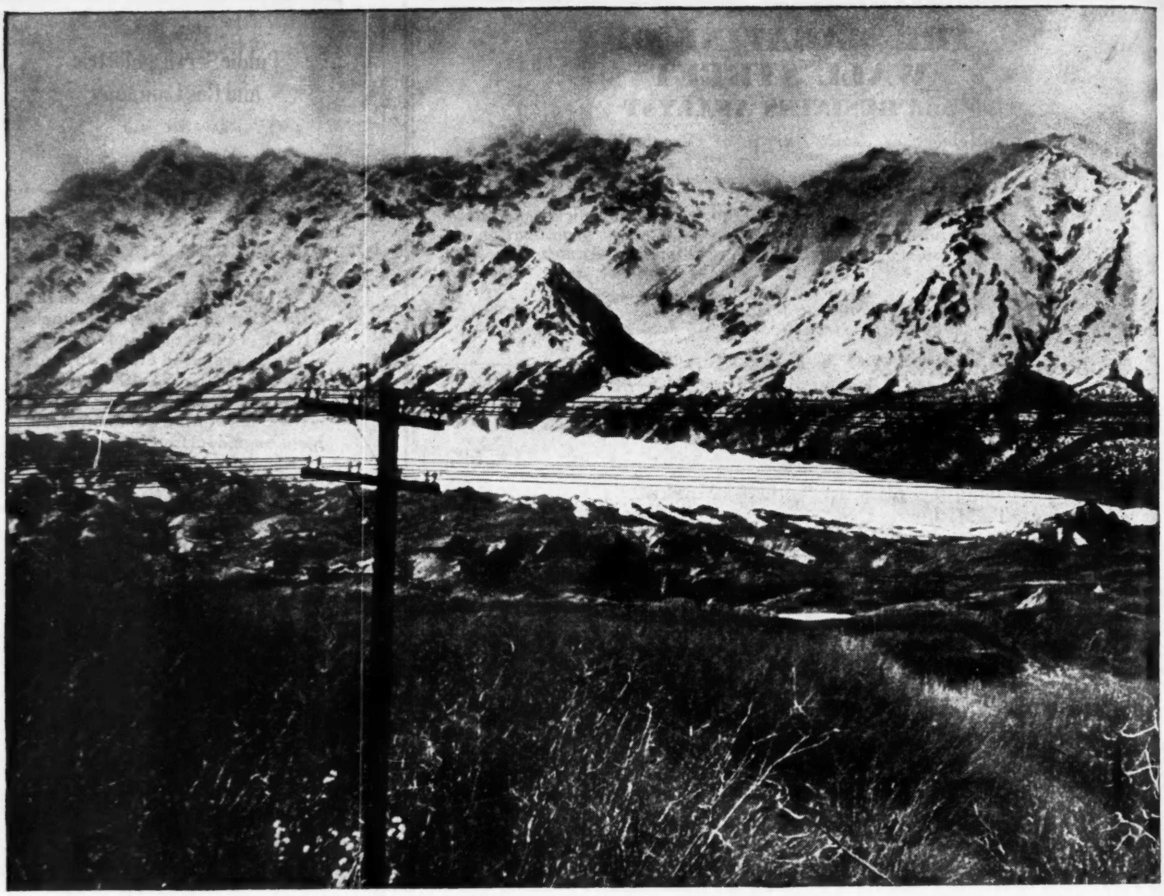
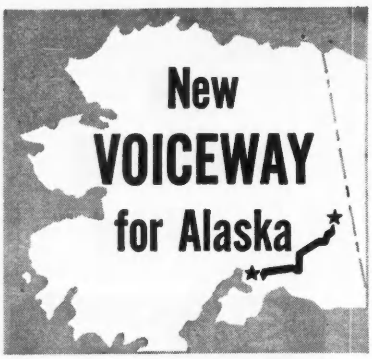


Mantanuska Glacier, capped with snow even in the brief Alaskan summer, forms the background for part of the new telephone line



Telephone line is latest link in vital defense network. Built through wild, rugged country.

A new telephone line now spans the 337-mile route from Anchorage to Tok Junction, Alaska.

The Bell System co-operated with the U. S. Army in designing, building and equipping this newest link in America's long distance network for national defense.

For three summers the line was pushed across rugged mountains and dense forests, always in a race against time and winter weather. Bulldozers and big trucks cleared the way in sub-zero cold. Tons of telephone equipment followed.

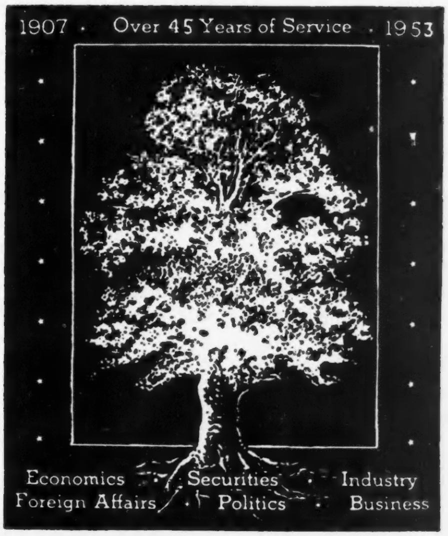
The weather, terrain and other problems ruled out the use of all types of facilities except pole line construction. But Alaskan timber wasn't suitable for telephone poles, so 12,500 poles had to be shipped in and hauled by rail and truck to the job. Frozen ground had to be dynamited before the poles could be set.

Meeting the telephone needs of one of America's last frontiers is another example of the way the unique skills, experience and teamwork of Bell System people are helping to speed the nation's defense program.

BELL TELEPHONE SYSTEM

THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Editor-Publisher*



The Trend of Events

SENATOR TAFT . . . The greatest tribute that can be paid to the memory of Senator Robert A. Taft is that his passing will be mourned by all who share his deep and abiding love for America and its institutions. Senator Taft was the very epitome of Americanism in its loftiest and truest meaning. Friend and foe alike in the political arena have time and again attested their unwavering appreciation of this unusual man's qualities. To his steadfast allegiance to what he conceived as the goal of this nation, he added those very special personal qualities of high intellect, painstaking attention to detail in his work, unswerving incorruptibility, and highly expert knowledge of the machinery of government, a field in which he had no acknowledged peer. With the potent figure of Bob Taft missing from the national scene, one would have to be very insensitive, indeed, not to note that a very large space has been left vacant.

DOUBLE TAX ON CORPORATE EARNINGS . . . Of the many existing inequities in our federal tax structure, the double tax on corporate earnings is one of the most noxious. This twin levy on corporate profits, in the final analysis, is paid by the stockholder. He first pays pays through his share of the federal tax on his corporation's net earnings and, when that has been paid for, he is soaked again through personal income taxes on dividends received from the corporation.

In this, as in other phases of our income tax set-up there is a certain degree of callousness in the law's indifference to fair play so far as the American investor is concerned. In Canada, the law governing income taxes is more equitable in that individual stockholders are allowed a 20% credit against the tax paid on dividends. Liberalization of our own law along such lines seems indicated as a necessary step in the interest of justice.

The double tax on corporate profits is especially harmful to stockholders in small corporations, which in reality are partnerships of individuals and their families but who, for one reason or another, have preferred the corporate form in operating their businesses. Furthermore, the double liability is discriminatory in that many types of business organizations such as trustees, estates and beneficiaries pay only one set of taxes on income. Also, in the case of domestic corporations obtaining dividends from foreign corporations, an income tax credit is received for part of the taxes paid by the foreign corporation. There are other examples of favoritism toward specific investor groups.

It goes without saying that one group of investors should not be penalized in favor of others, as is actually sanctioned under the present law. Aside from the manifest injustice of this situation the double tax burden under which investors have been struggling is particularly difficult to withstand under the extremely high income tax rates of to-day. Congress should recognize this fault and abolish it in appropriate legislation when it convenes again in January.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

CREDIT IS THE KEY . . . The general concensus of expert

opinion is that total productive capacity in the great majority of industries has reached a point in excess of actual demand. This is compelling management to redouble efforts to find new markets and lays the foundation for a more severe competitive struggle for available business than has been witnessed in a good many years.

The outcome of this situation which will determine the degree to which growing excess capacity can be absorbed will be largely influenced by the availability of credit. However, recent developments reflecting a firming of credit terms and standards would seem to indicate that the smooth financing of both consumer needs and that of industry and business in general will become more difficult. As long as these conditions prevail, business will in all likelihood meet increasing resistance in marketing its surplus goods.

There would seem to be a simple solution at hand through making credit more available. This, however, runs counter to the government's recent policies. Since the government's needs are paramount, it is impossible to see how the credit base can be enlarged at this time, which is equivalent to saying that it will become more difficult for markets to absorb excess capacity.

IN SOUTH AMERICA . . . Dr. Milton Eisenhower, brother of the President, has returned from a 36-day trip to ten South American countries. He reports "much misunderstanding" of the United States, especially of its economic capacity, and of the sacrifices Americans have made since 1941 in the cause of world peace and freedom.

Conferences with government, industrial and commercial leaders in this country will follow, with the aim of devising a program for friendly and mutually profitable relationships between this country and its neighbors to the south.

This venture has been embarked upon none too soon. There has been a rising tide of anti-American feeling in South America. Communist movements have done their part, of course, but it is a mistake to make the Communists the scapegoats altogether. The feeling that we have neglected South America for Europe and Asia has its basis in fact; much of our foreign aid must go on a fire alarm basis, and the fires have been breaking out in the Eastern Hemisphere.

Moreover, the Latin nations have not managed their own postwar economic affairs in the wisest possible way. The vast stores of dollars they amassed selling commodities in a war market went for gimcracks. Now they are struggling to industrialize on the income from exports which simply will not provide the necessary surplus.

One way to assist South America, naturally, is to lend government funds. It is the worst possible way, and there are recent examples to prove it. The $125 million credit to Argentina to bail out sellers to that country only temporarily alleviated the credit situation, and relations in general grew worse. The $300 million credit to Brazil, not yet fully paid over, is obviously failing to get that nation's imports back on a sound basis.

Action must follow, not precede, sound thinking. The South American, even while he was commercially most dependent upon the United States, found his spiritual homeland in Europe. Industrial expansion, to the South American, was what he saw in Europe—cartels, limitation of output, a generally feudalistic attitude of employer toward employee. The America the leader of South American thought is likely to visualize is not the true America, but the caricature of the Marxist-tainted European litterateur.

This attitude is mistaken. We shall find it hard to change, but we must change it if we and the South Americans are to go forward together. South America's untapped minerals resources, vast forest and spreading acres have much to provide this country. In return we have manufactured goods which can find a more important market there than can ever be found in industrialized Europe or crowded Asia.

Such an exchange is *not* exploitation. The use of private savings to finance industrial development is *not* imperialism. The freedom which the old-fashioned European as well as American liberal preached will make South America blossom as it made this country blossom. We can go down the road to mutual trade and mutual prosperity together, but we can't get far as long as one traveler's map gives all the landmarks the wrong names.

IS IT REALLY WASTE? . . . The United States is the world's greatest exemplar of a "gadget" civilization in full bloom. No other nation comes even close to us in this respect. However, foreigners who have spent years in observing with bewilderment our intense preoccupation with mechanical innovations often state that this is proof that we are not a truly civilized nation and that our culture, therefore, is lacking. They have a right to their opinion, of course, but we need not be concerned with it. It seems to us that foreigners would do better to consider that the immensely widespread and increasing use of "gadgets" in this country is one of the basic causes for our massive economic strength and that this should be a valid test for any civilization.

If one thinks of the gadget not merely as some shiny and trivial article, but as a highly useful implement, ranging from the squeezable bottle to the latest electronic devices, which we possess in endless variety and which are as much a part of our life as baseball, it will be seen that its function in widening the base of our economy is vital.

Furthermore, the use of these "gadgets" is based not only on their functional attributes but on the restless expression of need for change and improvement which we, above all other nations on earth, exemplify. This is an instinctive need, expressed nationally and which gives a distinctive flavor to our temperament as a people.

Many foreigners feel that a great deal of waste is involved in this hunger for what is new. It is not generally understood, however that waste on a national scale, as in this country, is a secret of economic progress and that a massive increase in the consumption of goods such as has occurred in the United States in the past half century would be impossible unless the public constantly demanded new and different products, even if this means the rapid and expensive discarding of the old. It is typical of us that we are quite willing to discard an "old" item of use, even though it may have been acquired only a year or two ago, if the new one would (*Please turn to page* 586)

As I See It!

By E. D. KING

A BREATHING-SPELL FOR THE PRESIDENT?

The adjournment of Congress leaves the President alone with his responsibilities. The Cabinet, of course, will give him assistance but the burden essentially is his to carry during the next few months. Though he will welcome the respite from Congressional bickering—much of it, incidentally, from his own party—he is keenly aware that his freedom of action will be limited in view of the fact that he cannot be sure what the reaction of Congress would be, when it returns, to any important moves he may have to make in the meantime. Furthermore, potentialities for trouble with difficult legislators may be greatly heightened since the valuable and practical counsel of Senator Taft is no longer available to the President.

Most urgent of the President's problems are those arising from the Korean armistice. He must now deal simultaneously with the intractable Dr. Rhee, with our diffident allies, a divided United Nations and last but not least, the Red leaders. He must do all this against a background of swift changes in the world's political climate which automatically involves our basic global policies, and which, in turn, must deeply affect economic relations between the United States and many important nations. No one need doubt that, in the final analysis, the economic well-being of our nation will be inextricably enmeshed with the success or failure which the President will meet in his attempt to resolve these vast, and often, conflicting interests.

With such imponderables facing him, it is not likely that the President, with his strong feeling for strict adherence to Constitutional procedure, would care to commit the United States irrevocably to a course of action which be believes should first call for sanction by Congress. It may be expected, therefore, that the Chief Executive will move with great caution with regard to foreign policy, not merely because the basic attitudes of governments both friendly and unfriendly to us are in process of adjustment as the cold war commences to assume a new shape but because of the wide difference of opinion in Congress itself as to the best course to pursue to safeguard our long-range vital interests.

"SEEING NELLIE HOME"

Dowling in The N. Y. Herald Tribune

It is obvious that the determination of our future foreign policy which may be already in the incipient stages of adjustment is a necessary postulate in defining the future trend of government policies with regard to such vital considerations as the budget, the national debt, taxes, financing and the host of other domestic policies affecting our economy. Until our course in foreign affairs is definitely set, it will be virtually impossible to arrange our own domestic affairs on a truly orderly and systematic basis.

This would seem to indicate that in certain areas, at least, administration plans are necessarily subject to change. Among these principally are taxes, the national debt, and the financing of the government. Subordinate but highly important in themselves are firm policies yet to be established with respect to farm supports, credit controls and tariffs. All these vexing problems will arise in full force to plague the Administration when the next Congress convenes in January.

The situation is further complicated because of uncertainties regarding (*Please turn to page* 588)

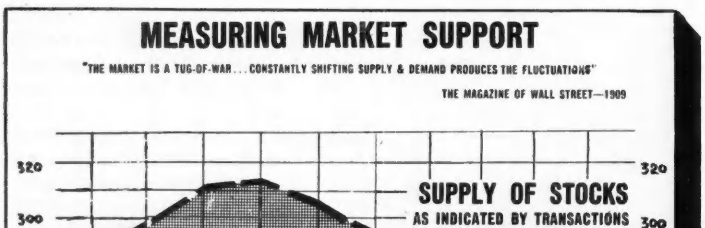
Safest Investment Policy in Today's Market

Ill-advised selling on the Korean armistice news was readily absorbed, with the market rebounding substantially thereafter. Intermediate recovery from the June lows may well carry further. A basis for dynamic change either way, however, is not apparent at present. Continue to emphasize selectivity, and to hold ample reserve funds.

By A. T. MILLER

Since it involved no surprise, the market took the signing of the Korean armistice pretty much in stride. In the initial response, buyers were hesitant and there was a moderate amount of selling which clipped 1.30 points from the Dow industrial average on Monday of last week and a total of 2.13 points from the rail average in the Monday and Tuesday trading sessions. The sellers guessed wrong. Stock prices improved promptly, with the rally gaining fair vigor toward the week end. The net change over the fortnight since our last previous analysis was written was moderate and indecisive, with the industrial list up moderately, rails off slightly and the utility average little unchanged.

Our current technical appraisal suggests that, barring fresh unsettling news development, the near-term test is more likely to be on the upward than the downward side; and that the chances for some extension of the summer recovery, which has been restricted heretofore, have been improved. However, no present basis can be cited for anything like a dynamic shift, up or down, in the general level of stock prices.



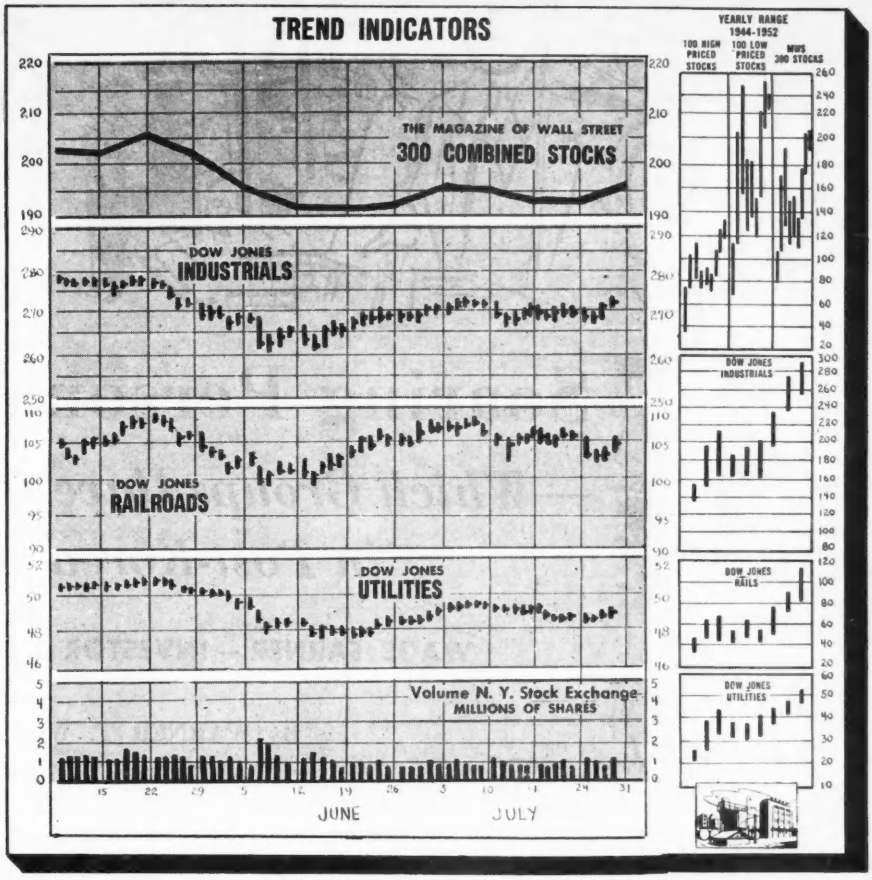
The Basic Considerations

The Korean armistice ends one uncertainty which had long been hanging over the market and which had been taken amply into the investment reckoning – but it will bring another into the spotlight: namely, the outcome of negotiations for a peace settlement. Force having failed to oust the Red invaders from Korea, will talk induce them to withdraw? If so, at which price? If not for any price tolerable to us, what then? The answers may not be forthcoming for six months or more.

According to Secretary of Defense Wilson, the truce, if maintained, may permit a saving of about $1 billion in defense costs in the present fiscal year. Presumably, although the estimate was not detailed, this is simply savings from stoppage of expenditure of ammunition and battle equipment. The truce, without a Korean peace settlement and without a significant general easing of world tension, will not otherwise affect the Administration's over-all defense planning. The latter was already pointing toward gradual reduction in defense outlays via selective production cutbacks and stretch-outs. World conditions permitting, arms spending may be cut modestly by the year end, materially in 1954 and more in 1955.

That will lower one prop under the business boom. Of greater importance is the question when, how rapidly and by

how much private outlays for new plant and equipment will shrink. And the same questions apply to residential building; and to demand for automobiles and other consumer durable goods. They cannot be answered with any assurance now. The tentative indications are that industrial production reached its peak in March. The subsequent dip through June was nominal; and the estimated 4% shrinkage in July (Federal Reserve Board index) was closely in line with the normal past pattern since mass vacations of workers in various key industries became a factor.



In a number of lines of business, including automobiles and steel, sentiment on both third-quarter and fourth-quarter volume prospects is less apprehensive than it was earlier. This does not preclude some further shrinkage from the spring peak, especially in the final quarter. Opinion remains dubious about 1954, with most forecasters allowing for "at least moderate" recession. What is moderate? Perhaps 10% or so, some opine on a guess basis. For what it might be worth, that compares with an actual full-year fall of 8.3% in the mild recession from 1948 to 1949, which cut total corporate profits by about 20%; and with 21.2% in the stiff deflation from 1937 to 1938, which cut total profits about in half.

Tentatively assuming a 10% 1954 production shrinkage, merely for illustration, there are some modifying considerations. (1) It has been at least materially allowed for by market decline during much of the first half, and more so by historically moderate price-earnings ratios and comparatively high dividend yields. (2) Dividends will be better protected, on average, than in past recessions because the ratio of payments to earnings will remain through this year far under the 75% or so regarded as normal before World War II. (3) Never before have so many people been on watch for "the coming recession", which figures to mitigate its psychological impact. (4) For many companies, mostly in the cyclical industries about whose later earnings prospects investors have been most apprehensive, profit shrinkage will be cushioned importantly by the promised lapse of EPT at the end of this year.

A 10% 1954 cut in over-all production might reduce total pretax income by roughly 25% or so. For companies subject to 1953 tax rates of 65% to 70%, a 25% fall in pretax net would result, on a 1954 52% tax rate, in gains, rather than declines in net income. The average effective corporate tax rate this year, judging by first-half data, may be around 57%. At 52%, with a cut of 25% in pretax income, net income would drop by about 16%.

Basis For Market Improvement?

Market sentiment has long been cautious, keeping the technical position sound. Business sentiment, as heretofore noted, is somewhat more cheerful as regards nearby months. The first-half earnings reports are mostly making a strongly favorable showing. In all of this, there might well be a basis for some further market improvement, perhaps appreciable. But prudent investors will continue to allow for recession "around the corner", for foreign uncertainties, and for the potential vulnerability of this thin market to any surprising bad news of importance. Hence, we continue to look for a selective market, with moderate-swing fluctuation in the averages. That has been the story for a long time.

The Dow composite average of 65 stocks reached 100 as far back as October, 1951; about 114 at the major high last December 30; sagged to 102½ in June; and stands at 107.30 at this writing. There is obviously formidable supply around and below the 114 high, restricting the upswing potential on a percentage basis. Less than a third of the weekly stock group indexes made new bull-market highs in 1953, mostly in early January; less than a fourth made news highs in 1952. Nearly half made their post-1949 highs in 1951 (*Please turn to page* 588)

Soaring Personal Income

—Which Groups Have Benefited Most in Post-Korea Boom

WAGE EARNER — INVESTOR — BUSINESS MAN

By WARNER T. WILSON

The prodigious flow of income into the personal sector is now one of the key elements in the whole business outlook. As the economic demands originating in sectors other than the personal sector — the demands of government, and of business itself for plant and capital goods — have gradually lost their momentum, the outlook for future personal spending has grown in importance, and in the amount of attention it is receiving from economic analysts. One of the propositions about business in the next several years on which virtually all analysts in and out of government would agree, is that the future of American business now rests with the consumer.

This was the conclusion of the study "Markets after the Defense Expansion" by the Department of Commerce in late 1952. The fact that the generally rising trend of business activity since has originated chiefly in the consumer sector supports the conclusion.

In the second quarter of this year, the flow of personal income to consumers—which includes wages and salaries, business, professional and rental incomes, personal interest income, corporate dividend payments, and payments of unearned income by government—was at an annual rate of $285 billion. That is a new record, roughly 30% above the annual rate in the months preceding the Korean war. It is 65% greater than in 1945, and almost three times as great as in 1941.

The gain in income since Korea is certainly impressive, although it is not the fastest on record. (Under conditions of all-out war, personal income doubled between 1940 and 1943.) And, naturally enough, it has been accompanied by an almost equally impressive rise in the rate of consumer expenditures for goods and services.

As a guide to what to expect from the consumer in the next several years, the aggregate income figure, by itself, is not very revealing. The current level of personal income, and its rise since Korea, has to be viewed against a background of several other factors. By how much has total income risen faster than taxes? Among which groups has income risen relatively rapidly, and which groups have had relatively small gains? Has the distribution of income changed significantly? Has income risen faster than prices? Faster than population? Have consumers' savings kept pace with their incomes? Is the repayment of consumer debt taking an ominously large share of the expanded income? Answers to these questions, in so far as answers are available, help to spell out the implications of high-level consumer income business as a whole.

Income and Taxes

Personal tax rates are now at a record peacetime level, and are only slightly below the rates applying in World War II. These rates have cut materially into the flow of personal income, diverting it to the government sector, but by themselves they do not alter the conclusion that incomes available for consumer spending are at record rates.

Tax payments by individuals to all government—including federal, state and local, and also including certain non-tax payments for specific services rendered by government—are now running at about $37 billion per year, roughly 85% more than in the months preceding Korea, double the rate in 1946, and about twelve times as much as in late pre-war

years. But while the rise in taxes has been considerably faster than the rise in pre-tax incomes, the dollar spread between incomes and taxes has nevertheless widened, and "disposable income"—income after taxes—is still at record rates. In recent months, the annual rate of disposable income has been about $247 billion, almost 25% above pre-Korea, about 55% above 1946, and more than three times as much as in late pre-war years.

The Distribution of Income

Of course the burden of taxation has varied greatly among income groups. Relative to both pre-Korea and late prewar years, the tax rate has become considerably more progressive. As a result the volume of disposable income, at the same time that it has advanced enormously in total amount, has become more evenly distributed among income brackets. And even within lower income brackets it is more evenly distributed. Unemployment is now running roughly one-seventh the rate of prewar years, and about half the average rate in postwar years. Fewer unemployed means fewer families on the bottom rungs of the income ladder.

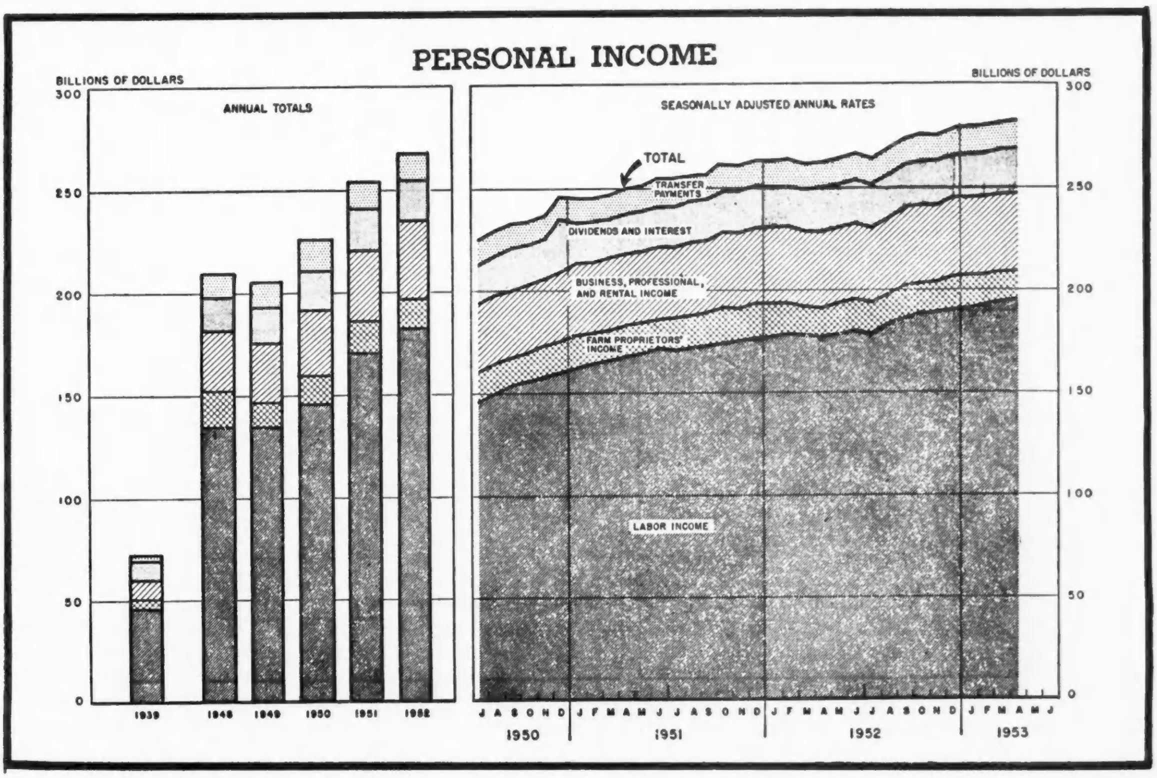
But even apart from the selective effects of progressive taxation and fuller employment, there is important evidence that the distribution of income has changed radically since prewar, and that the change has continued, more slowly, since Korea. Evidently, the flow of incomes has risen very rapidly in those occupations where wages and salary employees predominate, and relatively less rapidly in those income forms which normally flow to higher-income groups.

While total personal income rose roughly 30% since Korea, the rise in wage and salary payments has been about 40%. In commodity-producing industries, which include manufacturing, mining, farming and other extractive industries, the rise in wage and salary payments has been over 45%. In government wages and salaries the rise has been over 55%, reflecting both a sharp influx into government service following the outbreak of war in Korea and a series of advances in the scale of government salaries. In distributive industries—retail and wholesale trade—incomes have risen almost 40%. Only in service industries, where they advanced less than 25%, did wages and salaries rise at a slower rate than total personal income. Moreover, income in the form of so-called "fringe benefits" to wage and salary workers rose about a third in the past three years.

Outside the wage and salary area, the rate of advance in income has been, in general, considerably slower. Income of farm property has increased only about 20%, unincorporated business income, and professional and rental incomes, have increased only about 25%. Income from personal interest is up a little more than 20%.

Bringing up the rear of the income procession, dividend income has increased less than 15%. In the light of the rise in the personal income tax rates applicable to dividend payments—that is, the rise in the higher-bracket rates, where stockholdings are concentrated—it seems likely that net after-tax income from dividends is now no higher, and perhaps somewhat lower, than it was prior to Korea. In terms of net after-tax return on stockholders' equity it is unquestionably lower.

The trend toward a more equal distribution of income shows up in Federal Reserve studies of the financial situation of the nation's households conducted in the first quarter of each year. In 1946,



40% of all families reported their incomes were less than $2000. By 1951, the proportion had fallen to 28%, by 1952 to 25%. It is probably not much above 20% today. The same source finds that gains in income have been relatively heavily concentrated in those work-classifications where incomes were lowest at the beginning of the postwar period. The median income for relatively highly paid professional, semi-professional and managerial workers increased about a third between 1946 and 1952. Incomes of the relatively low-paid skilled, semi-skilled and unskilled factory workers have increased by roughly 50%.

Incomes and Prices

While income payments have risen relatively rapidly since 1946 and since Korea, prices have also been rising rapidly. How have consumers fared in terms of their income adjusted for price changes? What has happened to their real buying power?

Despite the combined rise in taxes and in prices, all the evidence points to the conclusion that the personal sector as a whole now has a vastly higher real buying power than it had in 1946, and considerably higher even than in 1950. The figures: all consumers, in aggregate, can buy about 15% more goods and services than in 1950, and about two-thirds more than in 1940. (In addition, higher tax payments are buying considerably more government service, in the form of defense security, medical and agricultural research, etc.)

This improvement in the aggregate buying power of the consumer sector has far outrun the rate of rise in population. On a per capita basis, real purchasing power has risen almost 10% since early 1950—somewhat more than 10% if the payment of about $3 billion in National Service Life Insurance dividends is excluded from the 1950 figure. The rise in real per capita disposable income since the immediate prewar years is about 30%.

Thus, the aggregate personal income figure of $285 billion reported by the Department of Commerce, while it may give a somewhat exaggerated impression of what has happened to the consumer sector since prewar and since Korea, nevertheless points accurately to a substantial rise in the power of consumers to take goods off the market. In one respect, in fact, the unadjusted personal income figure understates the potential effect of the rise in income, since it does not indicate the wider spreading of buying power in to those lower-income levels where the propensity to spend is very high.

Income, Liquid Savings, and Consumer Debt

It should also be noted that the greatly augmented flow of current income and purchasing power is soundly backed up by heavy holdings of liquid assets by consumers. Figures of the Securities and Exchange Commission indicate that individuals' holdings of liquid assets—cash, deposits in banks and savings and loan associations, and holdings of government and private securities—evidently amount to over $225 billion, with another $50 billion in insurance equities. Against this mammoth figure, consumers owe about $27 billion on short-term consumer debt (principally instalment debt), and about $50 billion in long-term (primarily real-estate) debt. Moreover, while they are now spending in record volume, they are also continuing to add to their holdings of liquid assets at an extraordinary rate: about $25 billion per year. (They are adding to their debt at about $10 billion per year, so that their net liquid equity is increasing at about $15 billion per year.) It is notable that in recent months an unusually high proportion of total liquid saving is flowing into defense bonds, a savings medium favored predominantly by the small investor with relatively low income.

These figures on the highly favorable current position of consumers, particularly in lower-income brackets, suggest a number of tentative conclusions. First, the importance of the striking personal income figure is not washed out by rises in taxes and prices. Both in aggregate and on per capita average, the consumer sector is better able to command goods and services than ever before in the United States, or anywhere else in the world. Secondly, the distribution of income has changed radically in the direction of wider, more equal distribution since the prewar years, and this shift is still progressing slowly, partly because of the increased progressivity of the tax burden, the continuance of full employment, and the fact that relatively lower-scale types of income forms have been enjoying the fastest rate of advance. The wider distribution of the total flow of income suggests a higher average propensity to spend. Finally, while the rate of advance in consumer indebtedness is high enough to raise real questions about its continuance in the short term, repayment obligations on the debt are supported by a record rate of current income, and the debt itself is backed up by an extraordinary accumulation of liquid asset holdings.

All of this does not necessarily add up to a continuing rise in the business trend over the next year. If personal incomes were to slide off significantly, personal spending would doubtless contract too. But it points clearly and sharply to where the strongest market of American business now lies. To reach that market, and to stimulate it to even higher consumption, is the task ahead.

United States Personal Income

(Billions of dollars)

Period	Total personal income	Labor income (salaries, wages, and other labor income)	Proprietors' income: Farm	Proprietors' income: Business, professional, and rental income	Dividends and personal interest	Transfer payments
1939	72.6	45.7	4.5	10.3	9.2	3.0
1944	165.9	116.2	11.8	23.7	10.6	3.6
1948	209.5	134.9	17.7	29.6	16.0	11.3
1949	205.9	134.2	12.8	29.3	17.1	12.4
1950	226.3	146.5	13.3	31.9	19.5	15.1
1951	254.1	170.7	15.6	35.0	20.4	12.4
1952	268.3	182.4	15.2	37.0	21.1	12.7
Seasonally adjusted annual rates						
1953: 1st qtr.	281.3	192.9	14.9	38.4	21.5	13.6
January	280.6	191.2	15.7	38.7	21.4	13.6
February	280.9	192.9	14.6	38.5	21.5	13.4
March	282.8	194.6	14.4	38.3	21.7	13.8
2nd qtr.	295.0	196.8	14.2	38.5	21.9	13.6

Revolutionary New Products of Leading Companies

By
L. A. LUKENS

Stick around, pray an atomic bomb doesn't blow us up and maybe you'll get relief from this August heat one year soon through space platforms that alter the contents of the atmosphere. Not that you'd swelter, in any case, because you would probably toil only a few hours a week. And your life expectancy might be extended another 50 or 75 years as the synthetic gamma globulin and the penicillin, insulin and cortisone of tomorrow make the common maladies a rarity.

This bright view of a not too distant tomorrow, of course, does not square with the lamentations of spreaders of alarum, who envisage these United States as a country whose natural resources are being drained swiftly. Thus the Population Reference Bureau, a private study organization, notes the population of this land is rising at the rate of 300 persons per hour and adds: "We are mining our fields, forests and water resources at a suicidal rate." According to the study, science will have to find ways to tap the vast reservoirs of minerals far below the earth's surface and in the oceans.

The phrase "rock-seawater-sunlight economy" was used by the bureau to envision a tomorrow in which man would replenish the dwindling natural resources from minerals deep under the earth's crust and in the ocean and through the sun's energy.

The answer to those who fear we are eating out our substance is coming from American industry which, with a large assist from the Federal Government, last year spent almost $2,300,000,000 for scientific research and development. Research performed by privately-owned and operated laboratories amounted to 65 per cent of the country's total outlay for such work in 1952—$3,500,000,000. The balance was performed in facilities owned by schools and the Federal Government.

Admittedly, the more than 100,000 engineers and scientists haven't synthesized the food on your breakfast table or drawn the power from the sun to eliminate the bill for your utilities, but large strides have been made.

And even more important progress is in prospect from the 3,500 industrial laboratories of the notion. In the General Electric Co. research laboratory near Schenectady, N. Y., for example, 1,000 scientists and technicians are exploring unknown frontiers in search of the new materials and processes that will make possible the products of tomorrow. The G. E. laboratory is by no means typical, since its activities are not limited to a single field, but rather range from chemistry, physics and electronics to metallurgy, ceramics and atomic energy.

More than 100 projects are underway, among them a new insulating material 10 times more efficient than any now in use and a new development in silicone plastics that makes stain-proofing of garments and other fabrics a definite possibility. Lower food

Research Expenditures of Large Corporations

1952 in millions of dollars	
Allied Chemical & Dye	$13.0
American Can	3.5
American Cyanamid	18.8
American Tel. & Tel.	18.0
Aluminum Co. of America	5.9
Celanese Corp. of America	4.1
Colgate-Palmolive-Peet	3.7
Continental Can	5.6[1]
Corning Glass Works	3.2
Douglas Aircraft	2.8[2]
Dow Chemical	11.4[3]
duPont (E. I.) de Nemours	52.0
General Foods	3.0[4]
Hercules Powder	6.4
Industrial Rayon	1.7
Merck & Co.	5.5
Monsanto Chemical	8.8
New Jersey Zinc	2.5
Pfizer (Chas.) Co.	5.0
Standard Oil of California	6.0
Standard Oil Co. (New Jersey)	27.0
Texas Co.	11.5
Union Carbide & Carbon	30.0

1—Includes Engineering and development.
2—Fiscal year ended 11-30-52.
3—Fiscal year ended 5-31-52.
4—Fiscal year ended 3-31-53.

bills may ultimately result from a new "cold" sterilization process being tried experimentally at G. E. Scientists found that bombarding foods with powerful electron beams lengthens their storage life indefinitely. Bread, meat and other foods have been preserved by G. E. as long as a year without refrigeration, thanks to the beams that kill the molds and other organisms that cause food to go bad.

A generation ago few, indeed, could envisage a tomorrow in which electronic computers would perform our most complicated mathematical problems, silk and wool would take a back seat for chemical fibers, airplanes would travel at 600 miles per hour, miracle drugs so-called would make such ailments as pneumonia a rarity and conventional vacuum tubes would vie with a thing called the transistor which has no cathode and is sparked by the mineral germanium to give it "endless life."

Lest the impression get abroad that the fruits of the labors of these scientists and engineers belong to a distant tomorrow or are a collector's item for the Buck Rogers coterie, it should be noted at once that the products of these endeavors are, in many instances, bringing a rich reward to innumerable old-line companies whose boards of directors have a penchant for keeping both feet planted firmly on the ground.

Thus, giant Radio Corp. of America, despite long years of trial, error and discouragement, finally has developed a color tube that will make your present monochrome television receiver seem drab by comparison. In a matter of months, the Government willing, the TV industry will bring to market color sets that will be a delight to the eye of the folks at home and a not inconsiderable source of satisfaction to the treasuries of the set-makers. It is true that the compatibility of the RCA color tube will permit owners of present receivers to view programs in the present black and white, but it is difficult to imagine Americans clinging to bicycles and buggies when motor cars and airplanes are made available. If the electronics industry isn't busy the next few years grinding out the color sets that America will take to its heart and hearth, then this country has changed even more than is feared by those who pontificate that we are not providing new sources of natural wealth and substitutes swiftly enough.

The prevalence of a market, no less than necessity, is the mother of invention in our society. Thus, the pessimists who have been writing off the motion picture industry since the advent of TV should be in for a jolt, too. Three-dimensional movies have given Hollywood its greatest spur since talking pictures came to the screen in the late 1920's. A measure of the popularity of the new medium, which gives the audience a sense of participation in the action, may be gleaned from the fact that the Polaroid Corp. is producing more than a million pairs of the specially colored eyeglasses per day to meet the demands of the relatively small number of theatres showing 3-D films. No doubt the viewers of the future with alarm will see in this situation exclusively the danger that we shall shortly run out of the materials needed to make the glasses.

Conceded, the new products of the television and motion picture field do not bring us to grips with the problem of developing new resources or developing substitutes for those that are being used up. But they typify the work that goes on daily in our laboratories to keep this nation moving forward.

In the jet age in which we live engineering researchers are striving to develop structural materials able to withstand greater heat for longer periods. Metallurgists, chemists and ceramics experts are learning how to combine their skills to tackle the job jointly—and they are making sound progress with techniques that were only laboratory dreams a decade ago.

Given adequate heat-resisting materials, engineers say, jet planes could be made to fly faster and farther. Electrical power plants could be made more efficient, resulting in lower power costs. Nuclear reactors could be built to last longer—a major factor in making atomic energy plants more competitive with the standard equipment now used for generating commercial power. Guided missiles and rockets could be given much longer ranges.

The age of atomic energy took a major step forward this summer, propelled by the bellwether of the electric industry, the General Electric Co. The Atomic Energy Commission plant at Hanford, Wash., operated by General Electric, now produces plutonium at a cost so low as to be undreamed of only two years ago.

Research in Steel

Alert to these and other developments, the world's biggest producer of steel is going in for research with new vigor because it feels science test tubes can give this nation improved steel products and numerous ways to use them. To get the project started, United States Steel Corp. is going to build a vast laboratory in Pittsburgh. Then it will collect its top research men there in the heart of the industry. One of the major problems facing the industry is the dwindling supply of top grade ore in this country.

At the birth of the steel industry in the United States, ore which contained less than 60 per cent iron was passed up. Now blast furnaces handle a great deal of ore with only 50 per cent iron and sometimes less. The industry already is pressing its laboratories for ways and means of working with

inferior ores which in their raw state contain as little as 25 per cent iron.

Then the coal being used in the mills is becoming more and more inferior and scientists are being asked to find a way to get the most out of the inferior fuels.

The constant search of the steel industry for new and more economical methods of production include finding ways to cut down on the use of often scarce and expensive alloys. An example of this is the coating of steel with tin or zinc to prevent corrosion. The coating does the trick but it makes the product much more expensive.

Recently several new buildings were erected in downtown Pittsburgh. The exteriors were covered with huge sheets of stainless steel instead of brick or marble. The reason, says U. S. Steel, is simple. The steel exterior will last longer and in the long run prove less expensive. This and the assemble-it-yourself homes were perfected in the laboratory. The company hopes its new laboratory, expected to be ready in 1955, will produce similar new products.

The old-line steel, metallurgical, mining and ore-processing companies are confident that they have the answer to the croakers who fear the vast resources hidden below the earth's crust and in the seas are beyond the reach of profitable extraction. Their considerable capital resources, growing know-how and extensive research labs already are exploiting the commercial possibilities of germanium, cerium, lanthanum, titanium, columbium, ond scores of kindred metals.

As industry takes cognizance of the dwindling high-grade domestic ores and the continual down-grading of available coking coal, it moves forward with new techniques for producing basic metallics. In this connection, such companies as National Lead Co., New Jersey Zinc Co., E. I. du Pont de Nemours & Co., Monsanto Chemical Co., Kennecott Copper Corp. and Allegheny Ludlum Steel Corp. have made substantial progress with titanium. Titanium is far lighter than stainless steel, but heavier than aluminum and combines the better features of each.

While there is a number of processes of making titanium, to date no means has been evolved whereby a cheap, mass-production method of extraction could be attained. The ore is abundant and widespread geographically, hence the problem of development for commercial purposes is one of efficient and inexpensive metallurgical methods.

Eagle-Picher Co. is far out in front in producing germanium, a tedious and costly project. It takes an estimated 20 freight-car loads of zinc ore rock to recover a single pound of germanium which in its refined state, is worth its weight in gold.

And it is a reasonably good guess that ere long germanium will be worth far more than gold, for a whole new electronics business waits on development of the transistor. The transistor is metallic in appearance and uses no heated element, hence there is nothing to burn out and, to quote I. J. Kaar, general manager of the electronics department of General Electric, "can last forever."

As a consequence of the transistor development, the giant digital computers, which now use several thousand vacuum tubes and occupy a large-size room, can conceivably become small enough and, incidentally, reliable enough to apply to everyday business and industrial problems as we now apply comptometers.

The office-equipment industry, which figures to be an important user of transistors, is a striking example of how the introduction of new products can send a business soaring to new heights. In 1940, the 20 top companies in the prosaic business of making office machines had combined gross sales of less than $300,000,000. Last year, revenues totaled more than $1,500,000,000 for the score of companies that lead the field, a five fold rise. The stress in the industry today is on electronics. Such companies as International Business Machines Corp., Underwood Corp., Remington Rand, Inc. and National Cash Register Co. have major stakes in the electronic computer, a machine that can follow instructions. This item has begun to move out of the labs and into industrial and commercial fields. In addition, these so-called "electronic brains" can design rockets and study their flight—without building the rockets.

Indeed, uses range from the oldest science—astronomy—to the newest—geophysics. For the astronomer who wants to know the (*Please turn to page* 585)

New Products of Leading Companies

Company	Remarks
International Business Machines Corp.	A "giant brain" magnetic drum calculator designed to handle accounting and computing problems.
Otis Elevator Co.	An automatic, electronic elevator system that utilizes a "brain" to analyze passenger requirements and eliminates human handling.
Radio Corp. of America	A color television tube that does not "obsolete" your present set.
General Electric Co.	A new alloy superior to any now in use expected to have important uses in gas turbines and rockets.
B. F. Goodrich Co.	Packages can glide up and down steep grades on a new conveyor belt of special rigid and cross-cut rubber surface featuring more than 5,700 tiny blocks of rubber every square foot.
E. I. duPont de Nemours & Co.	A new tough rayon yarn it makes may cut deeply into the tire market now held by its nylon tire yarn.
American Telephone & Telegraph Co.	Tiny ferro-electric crystals developed by its Bell Labs may cut down substantially on the space occupied by the huge phone switching systems now in use.
Ryan Aeronautical Co.	Successful "jumps" by some of the heaviest objects ever dropped at speeds up to 600 miles an hour made possible by its new parachute system. A drag chute is released first. This pulls the other parachute container rearward and causes the main canopy to billow out.
Armour & Co.	Its Adrenomone, trade name of a new form of ACTH, may help control ketosis in cattle, a disease that costs dairymen an estimated $10,000,000 a year.
National Cash Register Co.	Making an adding machine in which all keys are electrified, automatically eliminating 25% of the hand motions operators use with competitive makes.
General Motors Corp.	Air-conditioning offered in its higher-priced cars.

What Second Quarter Earnings Reveal

By WARD GATES

Most manufacturing companies (rails and public utilities are omitted from this analysis) showed gains in earnings in the second quarter of 1953, both as compared with the preceding quarter and the second quarter of 1952. Favorable comparison with the latter, however, should be no surprise as industry, generally, was severely affected by the steel strike of May and June last year. Hence, earnings in that period were unduly depressed. For that reason, comparison between these two periods may lead to a more favorable conclusion than is otherwise justified.

Improved earnings during the first and second quarters were experienced against a solid background of sustained production and consumption together with an extremely high rate of capital investment. Total expenditures on plant and equipment during the first half of the year, for example, were at the annual rate of close to $28 billion, a record.

With the nation's wage and salary payments for the second quarter running about $15 billion a year higher than in the corresponding period last year, a strong foundation was laid for increased consumption of goods by the public. Since prices and taxes remained substantially unchanged, it is estimated that higher income by individuals produced an 8% increase in their purchasing power. The Department of Commerce estimates that actual consumption, based on increased purchasing power, was 6% to 7% higher during the first half of 1953 than in the same period of 1952.

Backed by estimated capital expenditures for 1953 of around $28 billion, government outlays for fiscal 1952-53 of about $76 billion, and personal consumption expenditures at the annual rate of $230 billion, a 6% increase over 1952, manufacturing activitly is practically at a peak for peace-time. Most companies had higher sales as a result of this combination of factors and, with their costs held in relative balance though slightly higher than last year principally on account of wage increases, profit margins widened in varying degree.

In the accompanying table, listing some fifty odd stocks of representative manufacturing corporations, approximately 75% increased their sales as between the second quarter of 1953 and the second quarter of 1952. However, only about 60% increased sales as between the second and first quarters of this year. This would indicate, as might be expected, that the rise in sales was concentrated into the first quarter of the year, as a culmination of the recovery after the steel strike, and that not as much progress in this respect was made during the second quarter.

Among the companies listed in the table which increased sales in both the second quarter as compared with both the first quarter of 1953, and the second quarter of 1952 were: Hercules Powder, Johns Manville, Monarch Machine, Devoe & Raynolds, Republic Steel, Rohm & Haas, Continental Can, DuPont, Mathieson Chemical, Wrigley, Lorillard, Hooker Electro-Chemical, Masonite, Union Carbide and Penn Dixie Cement.

Companies which either were unable to increase sales or experienced declines were: Caterpillar Tractor, Phillip Morris, General Bronze, Joy Manufacturing and Liggett & Myers.

About half the companies reporting showed gains in profit margins either as between the second and first quarters of this year, or as between the second quarter of this year and the second quarter of 1952. In many cases, profit margins widened as sales increased. However, there were sufficient instances of higher sales and narrowed profit margins to indicate that the relationship between sales and profit margins is not currently as close as might be imagined.

Among the causes for this anomaly are: a more rapid increase in costs than sales, disposal of inventory items at cost or less, special reserves for taxes or other purposes, and increased promotion costs. Therefore, while the volume of sales is an important consideration in evaluating earnings prospects, due attention must be paid other factors such as those just mentioned.

In certain cases, also, where sales have declined, profit margins have widened due to better control of costs. Among companies which widened their profit margins in the second quarter, as against the first, despite failure of sales to advance are: Allegheny Ludlum Steel, Phillip Morris, National Biscuit, Diamond Alkali, General Bronze, General Electric, General Foods, Liggett & Myers, and Ex-cello.

Among the relatively few companies listed in the table which increased both sales and profit margins as between the second and first quarters of 1953 and as between the second quarter of this year and 1952 were: Devoe & Raynolds, Republic Steel, Rohm & Haas, Continental Can, Lorillard, Masonite and Penn Dixie Cement.

Widest gains in earnings per share (aside from the steels which were especially affected by last year's strike) as between the second quarter of 1953 and the second quarter of 1952 were made by the following: Douglas Aircraft, Monarch Machine Tool, Phillip Morris, Devoe & Raynolds, Diamond Alkali, General Electric, Rohn & Haas, Continental Can, Sunshine Biscuit, Lorillard, Monsanto Chemical, and Penn Dixie Cement.

Among the losers for (*Please turn to page* 580)

Quarterly Sales, Profit Margins and Earnings of Selected Companies

	Second Quarter 1953			First Quarter 1953			Second Quarter 1952		
	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share
Allegheny Ludlum Steel	$ 65.5	3.3%	$ 1.25	$ 68.6	3.1%	$ 1.21	$ 36.5	2.4%	$ .49
American Steel Foundries	40.8	4.8	1.65	38.6	4.4	1.45	36.4	3.7	1.15
Avco Mfg.	102.7	4.4	.04	116.6	2.4	.31	65.3	2.5	.18
Caterpillar Tractor	117.7	4.8	1.42	118.4	5.0	1.49	130.2	4.8	1.61
Container Corp. of Amer.	47.5	5.0	1.21	45.2	5.3	1.18	42.2	6.0	1.23
Continental Can	134.3	3.3	1.24	107.9	2.3	.67	114.0	2.5	.83
Devoe & Raynolds "A"	13.5	4.2	1.03	10.1	1.7	.32	12.2	2.9	.63
Diamond Alkali	21.8	8.6	.77	21.5	7.2	.63	18.2	5.4	.38
Douglas Aircraft	227.1	2.4	4.71	231.6	1.9	3.66	114.7	2.0	1.99
Du Pont	451.0		1.22	443.9	12.7	1.19	379.2	13.4	1.06
Eagle-Picher Co.	22.2	5.2	1.17	23.2	2.7	.64	16.7	6.1	1.03
Eaton Mfg.	53.7	5.0	1.51	55.1	5.0	1.56	48.0	5.1	1.38
Elliott Co.	11.3	5.4	1.00	10.0	7.3	1.23	11.6	6.6	1.46
Ex-Cell-O Corp.	24.6	4.7	1.38	24.8	6.5	2.10	21.9	5.8	1.66
Ferro Corp.	10.1	3.9	.69	9.2	3.8	.63	9.6	4.0	.68
Gair (Robert) Co.	29.7	5.3	.73	29.7	5.4	.75	26.9	5.6	.66
General Bronze	6.1	4.8	.90	5.7	3.8	.66	5.6	4.9	.97
General Electric	782.6	5.3	1.44	777.[illegible]	4.0	1.17	610.6	4.6	.97
General Foods	173.1	3.4	.99	248.1	3.6	1.57	158.3	3.3	.92
General Portland Cement	7.9	15.4	1.17	7.4	15.8	1.13	7.5	17.4	1.26
Hercules Powder	52.9	6.6	1.28	47.0	6.8	1.16	48.0	6.3	1.02
Hooker Electrochemical	9.9	9.0	.76	9.3	9.0	.75	9.3	9.0	.81
Johns-Manville	66.1	9.7	2.02	57.2	8.6	1.56	60.2	10.6	2.02
Joy Mfg.	17.9	5.6	1.14	20.8	5.7	1.35	17.0	5.2	1.00
Lehigh Portland Cement	15.4	10.7	.87	10.5	8.0	.44	16.7	11.2	.99
Libby Owens Ford Glass	......		.90	56.8	6.9	.76	42.2	9.4	.78
Liggett & Myers Tobacco	139.9	4.1	1.37	141.4	3.3	1.13	147.1	3.5	1.23
Lorillard (P.) Co.	67.6	3.0	.65	51.8	2.4	.44	55.5	2.3	.46
Masonite Corp.	12.2	7.8	.71	10.6	5.6	.44	11.1	7.0	.58
Mathieson Chemical	63.1	7.2	.80	60.5	7.7	.82	31.8	9.1	.86
Minneapolis-Honeywell Reg.	54.8	4.6	.86	47.7	4.8	.77	38.6	4.4	.56
Monarch Mach. Tool	9.4	6.0	1.35	6.6	5.7	.90	5.9	5.1	.72
Monsanto Chemical	89.7	8.5	1.43	85.5	6.6	1.08	62.7	9.0	1.06
Mullins Mfg.	16.5	4.1	.50	17.5	5.8	.75	13.7	5.0	.53
Murray Corp.	30.6	3.0	.88	24.0	2.5	.57	18.2	4.7	.83
National Biscuit	88.8	5.1	.65	87.5	4.4	.55	85.7	5.2	.65
New York Air Brake	10.6	5.3	.78	9.6	5.5	.74	8.8	5.5	.67
Pacific Mills	33.1	1.5	.52	28.8	2.5	.76	25.7	.02	.05
Penn-Dixie Cement	7.6	13.2	1.67	4.9	8.1	.66	6.4	10.1	1.10
Penn. Salt	15.6	6.1	.77	14.1	6.6	.75	14.5	4.9	.57
Phillip Marris & Co.	77.3	4.3	1.23	82.3	4.0	1.22	78.6	3.4	.98
Pullman	99.7	3.0	1.37	95.2	2.8	1.24	90.1	2.8	1.19
Republic Steel	309.2	4.8	2.46	292.9	4.6	2.26	167.3	2.7	.69
Rheem Mfg.	48.2	2.4	.87	45.9	3.4	1.17	30.6	2.5	.52
Rohm & Haas	32.1	5.3	1.86	29.8	5.5	1.77	26.4	4.8	1.39
Shering Corp.	4.7	7.9	.21	4.9	7.6	.21	4.7	8.0	.21
Standard Steel Spring	42.1	4.3	.79	43.9	3.8	.75	37.6	4.0	.72
Sunshine Biscuits	......	......	1.31	29.8	4.8	1.41	24.7	4.4	1.06
Union Carbide & Carbon	267.4	10.0	.93	260.6	9.8	.89	221.5	10.4	.80
Wrigley (Wm.) Jr. & Co.	20.6	11.9	1.25	19.0	17.7	1.71	19.6	12.3	1.23

VIGILANCE IN THE G.O.P.

By "VERITAS"

REPUBLICAN members of congress were more vigilant in protecting their paper-thin hold on the two houses of congress than democrats were anxious to be alert to take advantage of the opportunities which absences would give them. A rundown of votes taken during the 1st session of the 83rd Congress shows that a larger percentage of republicans took part in roll call votes than democrats. The GOP has schooled its membership well in the dangers of absence when roll calls impend. A good example of what can happen is the record of a roll call taken when Henry A. Wallace was vice president. There was a tie, but Wallace was at lunch and his party lost out.

WASHINGTON SEES:

One of the casualties of the rush toward adjournment of congress was an amendment to the antitrust laws which would have permitted federal judges to award less than treble damages in private suits arising out of monopoly act violations.

The implications of the mendment are important. Yet there was so little demand by business that the measure be hurried to passage as to give the house judiciary committee the feeling that interest was slight. As a result there were several widely spaced hearings.

Because it seldom happens, corporations seem unaware that an antitrust proceeding which goes against them, either in the form of a judicial opinion or of a stipulation, can be the spawning grounds of dozens of costly and troublesome private suits. And these suits are hard to defend because the record and the judgment in the federal case are accepted as a part of the file in a case brought by a private suitor.

To illustrate how the present law works: there have been antitrust decisions against major motion picture producing companies and they paid their penalties to the federal government. Having lost these suits, they then became prey to the avarice of independent movie theater operators who have only to point to the record of monopoly law violation and contend that a monopoly in the distribution of films necessarily affects their box office. If the court agrees, actual damage is guessed at—then the amount is multiplied by three under the present law.

PEACE is coming to Capitol Hill wtihout the formalities that attended the cessation of hostilities in Korea. Senator Joseph McCarthy has announced he plans to turn his attention from the State Department and other federal agencies to "sore spots" elsewhere. It isn't necessary to agree, or disagree, with Senator McCarthy's methods and his claims of accomplishment to be aware that he has been a handicapping influence in congress and the cause of many delays in getting at the legislative calendar.

UNUSUAL interest is being evidenced in Washington political circles as the New York City mayoralty campaign gets under way for a Nov. 3 election. The democrats have picked Mayor Vincent Impellitteri, who showed them last time that he could win without their support after the dems denied him the nomination. Harold Riegelman, acting postmaster, is the republican choice. But chief interest here is the vigorous activity by James A. Farley in behalf of the incumbent mayor. Some see this as an opener in a Farley race for the governorship of New York, domination of the party such as he enjoyed in the early FDR days.

DIM VIEW is being taken here as a result of fall of de Gasperi government in Italy. It is difficult to go along with the more sanguine analysts who point out that it doesn't mean Italy is no longer open-armed to NATO and the United States. His government had only a hair line of control and the successor government is only slightly better off. Some of the more hopeful say there is likelihood that de Gasperi will be invited to play an important role in the new regime. That might not prove popular; one of the counts against him was that he already had "stayed too long."

As We Go To Press

The change came so gradually that it isn't possible to place a finger on the date of its beginning or recall any particular circumstances but it is an out-in-the-open fact that republicans in congress who were roadblocking President Eisenhower's path in his early days in office now are tumbling over one another to get on the team. Ike began with a congress that was almost hostile; a review of the first session under the Administration finds him on top of the situation.

One of the things congressmen have learned is that there's no vacillation by Eisenhower. He has shown that he is not given to snap judgments, doesn't play the role of a political opportunist. That being so, a congressman can rest assured he won't be left out on the limb by a White House reversal of position. It isn't any more true of the present state of mind than it was of public attitude in other administrations: "back the President" is the demand of many constituents. But it's much easier to back the President when one knows what he wants and that he'll want the same thing tomorrow that he did yesterday.

Many illustrations can be produced to show that Ike is in charge but the best, perhaps, is found in collapse of the so-called Bricker Amendment. Here was an opportunity for the senate to enlarge its own prestige (something never to the distaste of the upper house), and at the same time tell the White House just who is boss. Close examination of the amendment shows it has more implication than application; the senate already figures so largely in treaty making that it would be hard to expand its role. Against the natural reachings of the senate the President won this encounter with little more required than a few disapproving comments.

The knife-edge majority in the senate was enough to give the President victory in his insistence that defense outlays be reduced. The GOP lined up solidly to save about half a billion dollars here. Some democratic support came to Ike. Evidently members of the minority party recognize that the President is an authority in the field of defense, that it's safe to follow his lead.

On the same day that the senate went along with the President's military budget, the house backed him in his opposition to curbs on reciprocal trade agreements. It took real courage to come out in favor of the status quo on trade treaties. The system inaugurated by FDR's Secretary of State Cordell Hull always has been anathema to the professional republican politicians in congress. They have tried to wipe out the 19-year old international trade arrangement program and, failing that, conspired to amend it out of effectiveness.

The amendments were not without support in the ranks of Eisenhower political backers and friends. They would have removed from the area of reciprocal agreement, or limited imports of, petroleum (crude), fuel oil, lead and zinc. But to begin itemizing certain things that would be marked as untouchable would be to invite additional lists. Eventually by a log-rolling process, all would have been whittled away. The plaintive cry of John L. Lewis that imports of fuel will keep his miners out of the pits obviously carried no weight. Impression is that they do a pretty good job of accomplishing that job themselves, whenever the mood strikes them.

Proposal to increase the national debt limit above 275 billion dollars brought the Administration face to face with its first fundamental issue of fiscal policy. Cut taxes and reduce expenditures are objectives that come into focus each year, the rules that govern the game are rather well defined and it is basically a question of which set of rules the nation will play under. Foreign aid is a mixed matter of mind and heart, dressed with a condiment of diplomatic consideration. None of these matters sets future policy; each takes care of a current situation.

Unfortunate fact was that an element of partisan politics was allowed to intrude upon serious discussions of debt limit increase. Some asked: Won't this give the democrats something to point to, critically? That such a certainty could be looked for was hardly an ingredient to be weighed in putting together a solution. But there it was. What the republicans seemed to be overlooking at their party councils that, conceding an upping of the limit was unavoidable, the time to do it was at once. That way, it could be pointed out that the necessity arose as a result of a legacy of democratic administration spending. The GOP had not had time to worsen the financial position and, in fact, was plunged deeply into government economies, slashes in the cost of doing federal government business.

Today the national debt stands only 2.5 billion dollars below the authorized 275 billion dollar limit. Regardless of which party was in control, say those who favor a new limit at a higher level, the margin to "play with" is too little. The democrats never were slow to jack up the debt limit and the program they had laid out for the current fiscal year would have assured another boost.

Most of the republicans in congress and in the agencies who know, or make any pretense of knowing anything about the federal government debt pointed up these facts: had Stevenson been elected instead of Eisenhower, he would have come into office with a 2.5 billion dollar leeway in the debt limit. He could hardly have abandoned the Truman fiscal program without shattering the ranks of the democratic party. Yet, the republicans have backed away from the Truman proposals to the extent of 4.5 billion dollars in permissible expenditures out of appropriated funds, and slashed (tentatively) 8.5 billion dollars from. There are 13 billion dollars and while it is not conceivable that the entire amount will be saved it's certain that the democrats would have left more of the funds in the "cash payable" drawer, pierced the ceiling. It is just about impossible to fathom how the GOP can do otherwise.

As we go to press, the announcement that Secretary Dulles may have to postpone his trip to Korea where he is to hold important conversations with President Rhee concerning the implementation of the forthcoming security pact between the Republic of Korea and the United States was evidence that any negotiations between the fighting Rhee and the State department would be conducted with extreme difficulty. The fact is that the United States will not permit Rhee to have a free hand in Korea if the political negotiations to take place after the armistice should break down. Rhee certainly wants a free hand from the United States if things do not go according to his satisfaction. This would be tantamount, however, to abdication by the United States government of powers of control over any future course of action it may find it necessary to take not only with regard to a political settlement for Korea but, even more important, a settlement or what would amount to a working arrangement between the United Nations, the United States and the Asiatic countries, all of whom want a share in decisions affecting their destiny.

With the de Gasperi government fallen, it now looks as if the Adenauer government will find tough sledding in the forthcoming September elections for West Germany. Apparently the Soviets, regardless of their setback in East Germany, intend to hold out the olive branch to the Social Democrats who have been a thorn in the side of old Adenauer for a long time. Now that German unification seems more than a remote possibility, the Chancellor's bargaining position with his political foes has been undermined to a very large extent. Observers familiar with the West German situation now believe that Adenauer will lose influence steadily until the elections and that there is a good chance that he will be overthrown. This would not be a healthy development for the United States as we are committed to the European Defense system and all our cards have been played on that basis. With the French balking, the Italians showing strong tendencies to the left and a possible rapprochement with Russia (in the event the Communists or the Nenni followers are admitted to the government) and the Germans likely to buy unity at the expense of joining the European defense system, the political strength of our government vis-a-vis Western Europe does not look too good. Add to this, a great deal of British opposition to American policies with regard to Red China, and you have a very poor picture potentially.

Major Change Coming in BRAZIL?

By V. L. HOROTH

The state visit in Rio de Janeiro of President's brother, Dr. Milton S. Eisenhower, provided an occasion for the Brazilians to air their grievances and disappointments with our investment policies. "Fear of the Soviet Union was and still is so great", wrote the new weekly Flan, reportedly very close to President Getulio Vargas, "that the North Americans have judged it much more interesting and lucrative to dedicate all their attention to Europe and Asia rather than to Latin America". The Eisenhower Administration is accused of reneging on promises of loans made in President Truman's time – loans amounting, in the popular version, to half a billion dollars.

It is difficult to say whether Brazilians have a chip on their shoulders or whether they are worried. Their country is in the midst of a serious crisis which may be diagnosed as complications of (1) end of a business boom of extraordinary length, (2) uneven development of individual sectors of the Brazilian economy, and (3) a bad case of postwar maladjustments which may need a major surgical operation. If the U.S. is a real friend, the Brazilians say, we will help them through this serious crisis. "Without U.S. financial aid," the Brazilian financial attache in Washington, Senor G. N. del Araujo, admitted not so long ago, "Brazil's progress will be at a crawling pace, without hope of developing and modernizing the economy in this generation."

Ordinarily the United States and Brazil are traditional friends. Their mutual relation throughout their history has been characterized by understanding of each other's problems. Brazil was one of the first Latin American countries to follow us into both World Wars; Brazilian expeditions fought on our side in France in 1917-18 and again in Italy in 1944-45. The builidng and operation of huge air bases on the Atlantic bulge of Brazil contributed in no small way to the winning of the Second World War.

Economically, too, hardly could two countries of the size of the United States and Brazil be more complementary. We are drawing more and more on Brazil's huge natural resources while Brazil depends upon our industrial products. In 1951, the value of the two-way trade reached an all-time peak of $1,700 million. It declined to $1,580 million in 1952, partly as a result of price declines and partly because of Brazilian import restrictions. But as will be seen from the accompanying tables, over 40 per cent of Brazilian imports still originate in the United States while over half of Brazilian exports is bought by us. Brazil is our second largest Latin American customer after Mexico.

One could go even further. Apart from economics and politics, one can say that Brazil and the United States in self-interest are natural allies. Because of the nearness of the regions around the cities of Natal, Recife, and Bahia–the "Atlantic Bulge"–to the Old World, Brazil is strategically the most important country in Latin America. As long as "the Bulge" remains in friendly hands, it will be possible to defend the Western Hemisphere against invasion.

50 Years of Brazilian Exchange

	U.S. Cents per milreis or cruzeiro	No. of cruzeiro or milreis per dollar	Cruzeiro Devaluation Index	Money Supply (billion Cruzeiro)
1900	19.3	5.1	......	......
1903	24.3	4.1	......	......
1905	32.2	3.1	......	......
1907	31.1	3.2	......	......
1910	32.5	3.1	100	......
1912	32.0	3.1	99	......
1914	29.3	3.4	91	.9(b)
1915	24.7	4.0	77	......
1918	25.3	3.9	79	......
1920	22.5	4.4	70	......
1922	13.0	7.7	40	2.2(b)
1923	10.2	9.8	32	2.6(b)
1925	12.2	8.2	38	2.6(b)
1927	11.8	8.5	37	5.6
1930	10.7	9.3	33	5.5
1932	7.1	14.1	22	6.9
1934	6.53	15.3	20	8.2
1935	5.75	17.4	18	8.5
1938	5.52	18.1	17	12.1
1940	4.59	21.8	14	11.6
1942	4.65	21.5	14	......
1945	4.76	21.0	15	41.5
1946	4.76	21.0	15	45.8
1947	4.31	23.2	13	47.1
1948	3.75	26.6	12	50.2
1949	3.24	30.8	10	58.4
1950	3.13	32.0	9.6	78.3
1951	3.33	30.0	10.2	90.7
1952	2.74	36.5	8.4	104.2
1953 May	2.12	47.0	6.5	107.0(a)

1898-1910: Inconvertible paper in circulation declined in this period, resulting in the appreciation of the milreis which was worth over 30 cents. Brazilian credit improved in this period.

1914: In December the Conversion Office suspended exchange of notes for gold; large issues of inconvertible Treasury notes issued in the 1915-19 period; Brazil's credit deteriorates.

1921: Coffee prices collapse Bank of Brazil instead of the Treasury begins to issue fiduciary currency.

1924: Note issue is reduced.

1932: Coffee prices decline to about 5 cents a lb.

1937: The milreis is officially linked to the dollar at 17 milreis per dollar.

1942: 1 milreis becomes 1 cruzeiro. Official rate established at 18.5 cruzeiros per dollar.

Note: Free or curb rates used since 1938 rather than the official rate. (a)—March 1953. (b)—Currency only

From the viewpoint of Brazilian national interest, the United States because of its wealth is the logical country to help out with the development of huge Brazilian natural resources.

"We Are Not Doing Enough" According to Brazil

To say the least, we have disappointed the Brazilians. As a high Brazilian Treasury official has said in so many words the U.S. investor has failed to show confidence in Brazil's future. He went to great lengths to show how much more cognizant Europeans are of Brazilian investment opportunities. Following is a brief summary of European economic activities in Brazil within the last six months or so, culled from various sources:

The Brazilian Finance Minister received offers from Demag (German concern) and from Krupp for the construction of locomotives in Brazil . . . Italian Monecatini is studying the establishment of an insecticide factory in Minas Geraes . . . Negotiations are going on between a Belgian group and the Brazilian government to furnish Brazil with badly needed railway equipment . . . A new glass factory, was purchased in Belgium and is to be established shortly in Porto Fereira . . . Snia Viscosa of Italy plans to establish an affiliate in Sao Paulo . . . A large German photographic material plant is to be transferred to Brazil . . . A German watch factory has been authorized . . . Negotiations are under way to barter Brazilian sugar for a German fertilizer plant . . .

The Brazilians bemoan the fact that the Republican Administration is threatening to restrict the lending power of the Export-Import Bank. Such restriction would put a damper on the financing of the projects passed on by the Joint Brazil-United States Commission which approved projects involving $380 million in loans from Export-Import and World Banks and the equivalent of more than $500 million from Brazil to be raised by taxes earmarked for the purpose. The Commission which was really an investment agency promoting a balanced development of the country is unfortunately being liquidated; its work represented the largest Point-Four Operation in Latin America.

The Work of the Joint Brazilian-American Commission

Thus far about $140 million has been lent to Brazil by the World Bank to carry out the projects approved by the Joint Commission. The financing of an additional $41 million worth of projects is in the works, but the rest hangs fire. Unless money is forthcoming for the remaining projects, agriculture may be the greatest loser since it was given the third rating. Yet agriculture is the sector of the Brazilian economy that is, under the circumstances, the most deserving of rescue. Unless food production is increased substantially with the labor of immigrants, it will be difficult to arrest the present inflation spiral.

The largest share of new loans has been set aside for the development of hydroelectric and steam gen-

erating plants. The most interesting among the new projects is the development along the TVA model of the Sao Francisco River Valley. This huge river drains an area about as large as Texas and falls several hundred feet over the Brazilian escarpment some 150 miles from the Atlantic. At the Afonso Falls a dam and a hydroelectric generating plant are in the last stages of construction; the latter will generate enough power to supply the cities of the Bulge. Along the upper reaches of the River another system of dams and hydroelectric power plants are to be developed to supply power to the rapidly growing industrial area in the State of Minas Gerais and to the mines there.

The next largest share of the loans was set aside for the extension and modernization of railways which have the job of bringing raw materials from the interior to ports and manufacturing centers. The loans for agriculture are to be used chiefly for the purchase of tractors and other equipment.

On top of everything the Brazilians are critical of the terms of the $300 million loan, made by the Export-Import Bank, and announced last February. This loan, made to liquidate a $450 million backlog of debts owed in dollars to American exporters, bears 3¼ per cent interest and is repayable in three years, with the first payment beginning on September 30. Because of their friendship and cooperation the Brazilians argue, we could have granted them as favorable repayment terms as we gave to Argentina in 1950. There is a Brazilian Mission in Washington now with the evident purpose of renegotiating the terms of the loan.

Financial Mismanagement and Inflation

And now to hear the American side of the Brazilian story. In the first place, American capital, private and government, has been going to Brazil. Since the outbreak of the Korean War, the Export-Import Bank and World Bank have lent Brazil over $200 million, largely for development purposes, apart from the above-mentioned $300 million loan for liquidation of commercial backlog. The private capital outgo can be seen from the following list of U.S. corporations which are either extending their operations or venturing there for the first time (the figures are based largely on material published in the Noticias, a publication of the National Foreign Trade Council).

New U.S. industries recently moving into Brazil include: the manufacture of vinyl resins by S. A. Geon do Brasil, financed by B. F. Goodrich Chemical Co. and I. R. F. Matarazzo, Carborundum Co., of Niagara Falls has set up a company at Sao Paulo to make and sell its grinding wheels. Cooper-Bessemer International Corporation of Wilmington, Delaware, will establish a subsidiary, and Foley Bros., U.S. general construction and engineering firm, is authorized to operate a Brazilian subsidiary.

Nevertheless, one may ask, why hasn't American capital rushed into Brazil as it did into Canada and even Mexico? Why are private U.S. direct investment in Brazil less than $700 million, when our investments in Canada probably approach $7 billion? After all, Canada's interior is as much unexplored and inaccessible as that of Brazil, and her labor legislation is only slightly less demanding, than that of Brazil. At the same time Brazilian income taxes are substantially lower than those of Canada.

The answer to the above questions is simple. U.S. private capital is not rushing into Brazil largely for two reasons: (1) mismanagement of the country's finances which has brought on chronic inflation, and (2) a growing economic nationalism which together with totalitarian tendencies has resulted in closing certain natural resources to foreign exploitation.

Whoever doubts a financial mismanagement of the country can see at a glance at the second accompanying table what happened to the Brazilian currency – first called milreis and later renamed the cruzeiro – during the past 50 years or so. As late as 1910 the dollar bought only 3.1 milreis; now it buys almost 50 cruzeiros in the free or curb market. This represents a currency depreciation of 2 per cent a year. At this rate an estimate made in a recent study that the dollar will be worth 60 cruzeiros this time next year appears conservative.

Brazilian governments have financed themselves in the past either by printing money or by borrowing from banks. This year the federal budget is expected to show a deficit of some 12 million cruzeiros; it is almost certain that a part of the budget expenditures will be covered by the fiduciary issue of currency, in plain language a resort to the printing press, which will raise the money supply to new record levels (see table). (*Please turn to page* 583)

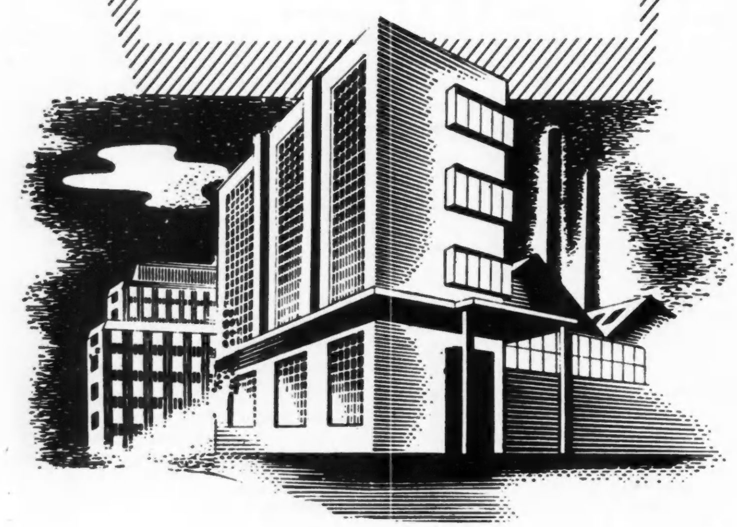
Brazil Trade by Countries

(in millions of dollars)

					Percent Distribution		
	1938	1949	1951	1952	1938	1949	1952
IMPORTS BY COUNTRIES:							
United States	72	474	841	837	24	42	42
Dutch West Indies	9	79	98	110	3	7	5
Venezuela	....	8	58	86	....	1	4
Other dollar area	(a)	(a)	135	136	(a)	(a)	7
Total dollar area	81	561	1,132	1,169	27	50	58
United Kingdom	31	114	171	172	10	13	9
Germany	74	6	112	186	25	1	9
France	10	20	95	78	3	2	4
Belgium	12	50	65	56	4	5	3
Sweden	7	34	70	63	2	3	3
Argentina	35	117	125	38	12	11	2
All others	45	214	241	248	17	15	12
Total	295	1,116	2,011	2,010	100	100	100
EXPORTS BY COUNTRIES:							
United States	101	507	861	726	34	50	52
United Kingdom	26	93	173	38	9	10	3
Germany	56	17	84	79	19	2	6
France	19	23	89	80	6	2	6
Benelux	23	82	93	69	8	7	5
Italy	6	28	30	33	2	3	2
Argentina	13	84	117	96	5	8	7
All others	289	1,089	1,757	1,409	100	100	100

(a)—Included in other.

15 SOUND Low-Priced Stocks



By OUR STAFF

While there is not much interest at present in the stock market, investors, looking ahead to the future, are taking pains these days to familiarize themselves with the sounder issues in the various groups. This applies to low-priced stocks as well as those of higher investment rating.

As investors know, low-priced stocks are generally considerably more speculative than those in the medium or upper price ranges. However, by careful selection, it is possible to determine which of the low-priced issues are in a sound position. In order to assist our readers in the quest for better-than-average quality among the lower-priced stocks, we have culled from the several hundred on the N. Y. Stock Exchange selling below $25 a share, fifteen which we believe, by virtue of their satisfactory earnings, financial position and ample dividend coverage, qualify as suitable holdings for that class of investor who has a partiality for the lower-priced group. In several instances, we have added stocks selling slightly above $25 a share. In these cases, considering the quality of the issues involved, we do not believe the modest premium above $25 a share is sufficient reason to exclude them from our list.

For a more advantageous timing of such purchases than the present, we suggest that our readers consult Mr. A. T. Miller's market article in this and forthcoming issues. The individual analyses of the 15 stocks selected are given below:

American Airlines, Inc.

This is the largest of the domestic airline systems and it has participated fully in the growth of the industry in recent years. Due to large requirements for cash to provide for rapid expansion of facilities, both in airfleets and fixed property, dividends have been kept substantially below earnings. However, improvement in finances lays the basis for a moderately more liberal attitude on the part of the management with regard to dividend payments. In 1951, earnings were $1.42 a share and dividends were 50 cents a share; in 1952, earnings were increased to $1.72 a share but dividends were maintained at the old, conservative rate. In 1953, for the first half of the year, earnings were 92 cents a share and it is anticipated that 1952 earnings will be exceeded. Assuming $1.80 a share is earned in 1953, total earnings for 1951-1953 will be $4.90 a share. Against this, including a payment of 25 cents a share this year, assuming another payment of the regular 25 cents a share, only $1.50 a share would have been paid out. This wide margin of earnings over dividends, even making full allowances for the need for large working capital typical of the industry, would seem to lay the foundation for a higher rate than paid by the company in recent years. American Airlines, of course, is one of the great transportation properties of America and ownership of the shares in the long run should be profitable.

Diamond Alkali Co.

This is one of the smaller chemical companies but has had a good record for a number of years. The company provides about 10% of domestic chlorine requirements, 15% of alkalies and 30% of requirements for bichromate of soda and chromic acid, all important elements in basic alkalies and their derivatives. Last year's earnings were affected by the steel strike and were down to $2.18 a share, compared with $2.84 a share the previous year. In the first six months of the current year, earnings recovered to $1.40 a share, from present indications, the company will earn almost as much in 1953 as in profitable 1951. Dividends in 1951, after adjusting for the two-for-one split in that year, were $1.22½ a share. In 1952, dividends were 37½ cents quarterly, or $1.50 a share for the year. This rate is now being maintained. Based on recent and prospective earnings, the current dividend seems well within the capacity of the company. No further increases in the near future, however, are looked for in view of the financial requirements of the company's ex-

pansion program. On the present price of about 27, the current yield is 5.5%. The company is noted for its conservative, steady management. Operating in a basic field, in which it occupies a prominent position, the longer range outlook for the stock seems satisfactory, though present levels may prove somewhat vulnerable to general market instability.

Fruehauf Trailer Co.

This company manufactures about 40% of the trailers for truck highway transport in the United States. There are approximately 535,000 such vehicles in operation and, based on the underlying growth of this form of transport, this figure should reach 750,000 in from three to four years. Total sales for 1952 were $162 million, of which approximately 40% consisted of defense business. In the previous year, sales were $161 million and defense business accounted for 18% of this amount. Apparently the company may be affected to some extent by any decline forthcoming in the government's projected military expenditures. However, this is likely to be part of a transitional phase. In the longer run, the company will be more influenced by the basic trend toward utilization of trailers as part of our freight transportation system. Earnings in recent years have fluctuated considerably. In 1951, they were $3.94 a share, compared with $5.59 a share in 1950. In 1952, they amounted to $3.61 a share. For the first six months of the year, earnings showed a considerable increase over the comparable period of 1952, with earnings of $2.39 a share and $1.90 a share respectively. Based on returns thus far and the outlook for the balance of the year, the company should earn not far from $3.75 a share. Dividends of $2 a share have been paid in 1951 and 1952, including a 20% stock dividend in the earlier year. At present, the company is maintaining the $2 dividend, which is well within its earnings capacity. Further increases are not looked for at this time owing to debt indenture restrictions. However, at the present price of about 24, the yield on the indicated $2 dividend is a better-than-average 8%.

International Telephone & Telegraph Corp.

While continuing as an important factor in the communications field, I. T. & T., for some time now has been steadily developing as a manufacturer of telephone apparatus, radio communications equipment, electronic equipment, and a well diversified line of household electric appliances. It has built up a world-wide sales outlet and operates 32 manufacturing companies in 19 countries. As of May of this year, its backlog of domestic business amounted to approximately $254 million, and that of its foreign subsidiaries totaled $216 million. Since the close of 1952, backlog of domestic orders, aided by defense business, has increased by $48 million. Consolidated earnings in the 7 years through 1952 have expanded from a deficit of $1.57 a share in 1946 to 1952 net of $3.09 a share. Consolidated earnings for the current year are expected to equal, if not surpass, that figure. Dividends were resumed, after a lapse of 18 years, with the distribution of 15 cents a share and 5% in stock in the latter part of 1950. Since then regular cash payments at an increasing rate have been made in each year, the distribution being brought up to 25 cents a quarter in 1953, returning a yield of 6.2% on the shares which, upon analysis, appear to have growth possibilities over the long-term.

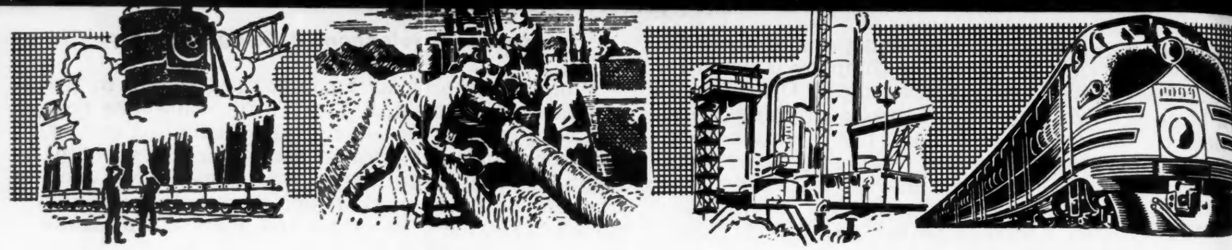
Lehigh Portland Cement

This is one of the leading Portland cement manufacturers that has been benefitting from increased demand for its product for housing and road building and which should continue to experience heavy sales volume as activity in road construction continues to expand. Net earnings in 1952, equal to $3.07 a share for the capital stock, were up from $2.90 a share in the previous year. The 1953 outlook is for higher net, but actual per share earnings may be held close to last year's level by accelerated amortization of the company's Bunnell, Florida, cement plant, which went into operation last Fall. The company has, for a number of years, (*Please turn to page* 574)

Dividend Margins for 15 Low-Priced Stocks

	1951			1952			1953					
	Earnings Per Share	Dividends Paid Per Share	Excess of Earnings Over Dividends	Earnings Per Share	Dividends Paid Per Share	Excess of Earnings Over Dividends	1st 6 mos. Net Per Share	Estimated Full Year Net Per Share	Indicated Annual Dividend	Estimated Excess of Earnings Over Dividends	Recent Price	Dividend Yield
American Airlines	$ 1.42	$ .50	184%	$ 1.72	$ .50	244%	$ .92	$ 1.80	$ .50	260%	13	3.8%
Central & S.W. Corp.	1.34	.90	48	1.60	.95	68	.70	1.55	1.00	55	19	5.2
Cincinnati Gas & Elec.	1.46	.97	50	1.40	1.00[1]	40	1.48[6]	1.50	1.00	50	18	5.5
Diamond Alkali	2.94	1.22	141	2.18	1.50	45	1.40	2.60	1.50	73	27	5.5
Fruehauf Trailer	3.94	2.00	97	3.61	2.00	80	2.39	3.75	2.00	87	24	8.3
Int. Tel. & Tel.	2.60	.60[1]	333	3.09	.80	286	.67[7]	2.90	1.00	190	16	6.2
Lehigh Portland Cem.	2.90	1.20	141	3.07	1.20	155	1.31	2.75	1.20	129	26	4.6
Masonite Corp.	2.81	1.50	87	2.49	1.00	149	1.78[5]	2.25[8]	1.00	125	19	5.2
Middle So. Utilities	1.81	1.20	51	2.03	1.25	62	2.85[3]	1.95	1.37	42	25	5.4
Pfizer (Chas.) Co.	2.42	.98	146	2.17	1.15	88	1.48	2.75	1.15	139	27	4.2
Pitts. Coke & Chem.	4.08	1.25[1]	226	2.12	1.25[1]	69	1.76	3.00	1.25	140	24	5.2
Radio Corp. of Amer.	2.02	1.00	102	2.10	1.00	111	1.18	2.25	1.00	125	23	4.3
Southern Company	1.04	.80	30	1.18	.80	47	1.16[4]	1.25	.80	55	15	5.3
U. S. Rubber	4.76	2.00	138	4.33	2.00	116	2.23	4.00	2.00	100	25	8.0
Victor Chemical	1.60	1.05	52	1.39	1.05	32	.90	1.60	1.00	60	25	4.0

1—Plus stock.
2—6 months ended May 31.
3—12 months to May 31.
4—12 months to June 30.
5—9 months ended May 31.
6—12 months ended March 31.
7—Quarter ended March 31.
8—12 months ended June 30.



1953 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for Electrical — Rail — Farm — Office Equipment

Part III

Since the end of World War II, investors have had to adjust their thinking to an entirely different set of standards than those of pre-war days. New industries have emerged and the success of some of them, such as electronics and petrochemicals, in particular, has placed an unusually high premium on their common stocks. In some cases, however, these premiums have resulted in the stocks outpacing earnings and this has rendered them especially vulnerable to the type of market declines in evidence recently. It is therefore obviously more necessary than ever to apply realistic standards of value to securities in a market which is showing a pronounced tendency to evaluate earnings on a much more conservative basis than has been true in recent years.

The test of earnings is being applied more rigorously to the older established segments of the market as well, with the result that the sifting process relentlessly exposes situations of weakness as well as those of strength. In the final analysis, the position of each stock depends on the internal factors influencing the company which it represents. These are principally the factors of sales, prices of products, the profit margin (before and after taxes), the margin of earnings over dividends and shifts in working capital position. Without knowledge of these highly important trends, the investor is at a disadvantage.

Because of our appreciation of the importance of such information we are again presenting for the benefit of subscribers our Mid-Year Dividend Forecast and Re-Appraisal of Security Values. In addition to the essential statistics on sales, earnings, dividends and other important data, we have included our comments on the position of each company. In addition, the stock of each company listed is rated according to investment- and speculative-quality, as based on our analysis of the combined factors affecting each company. These comments and ratings should offer a convenient guide for investors.

For the more complete information of our subscribers, we have furnished a complete analysis of the position and prospects for each industry covered. These individual industrial reviews give the latest trends as to sales, prices, inventories, competition and production and as such, they are especially useful as affording a reliable barometer of specific industrial prospects at the end of the first half of the year.

The key to our ratings is as follows: A, Top Quality; B+, Very Good; B, Good; C, Fair; D, Highly Speculative. The numerals which accompany these letters are intended to convey a picture of the actual earnings trend of the company at the present time. Thus, 1—upward; 2—indeterminate; 3—downward. Thus B 1 indicates a stock of good quality with a currently higher trend of earnings.

In special cases, we have marked some stocks with a "W" and others with an "X". Those with "W" should be held essentially for income return. Those marked "X" seem more suitable for holding for appreciation.

It is advisable that subscribers consult Mr. A. T. Miller's market advice, appearing in each issue. This may aid in better timing of purchase and at least should furnish the subscribers with the latest market information as a general background to any specific security transactions contemplated.

For the guidance of subscribers, we should emphasize that our investment policy at this time must be governed by the obvious necessity of applying the utmost care and even conservatism in the valuation of stocks. This is especially due to the transitional character of the present market. Therefore, any ratings herewith attached to individual securities are subject to change as future conditions develop.

These will be noted in future issues of the Magazine.

Important Industries Covered in Mid-Year Re-Appraisal

Railroads — Tobaccos — Textiles — Food & Dairy — Sugar — Liquor and Soft Drinks — Electrical Equipment — Miscellaneous Equipment — Building — Machinery and Machine Tools — Steels — Chemicals — Auto and Auto Accessories — Rubber and Tires — Air and Bus Transport — Oil — Movies.

Can Electrical Equipments *Maintain Prosperity?*

By GEORGE L. MERTON

A prolonged period of fair weather often is followed by showers or by ominous clouds and storms. Perhaps this is as good a reason as any for adopting a more cautious attitude toward some issues in the electronic group. It should be understood that sales have been spurred by an expansion in military requirements as well as by a boom in civilian demand based on exceptional personal income and by rising population trends. Production has reached the stage where it consequently seems unrealistic to expect domestic consumption to absorb increased output. More keenly competitive conditions are in prospect, and this outlook is developing at a time when labor is pressing for higher wages. The result seems likely to be a moderate decline in volume and narrower profit margins, though nothing extreme is in prospect along these lines.

These remarks are not intended to suggest a pesimistic attitude, for if there is one segment of the industrial economy that appears assured of steady growth it is electronics—and that term includes so far as these observations are concerned electrical appliances and devices used in the home as well as in industrial plants and in power generating stations. The need for greater dependence on electric current for economies in manpower has been many times described in these pages and is too apparent to warrant elaboration here. In the expansion of electrified machines, manufacturers of materials required are certain to benefit.

A Temporary Lull

Here then is an industry which enjoys the prospect of steady growth to care for the requirements of a rapidly expanding population. New products promise to spur output from time to time, as has been the case with television and air conditioning in recent years. Competition is keen, however, and as consumers curtail purchases periodically, profit margins may suffer from price-cutting. One of these temporary lulls appears looming on the horizon. Demand for new appliances shows signs of tapering because fewer new homes are being built, prices of appliances have been increased, the need for replacement of old refrigerators, washing machines, vacuum cleaners, etc., is less urgent and installment credit already has been rather fully utilized for other items.

Representative manufacturers of electrical appliances have enjoyed several years of excellent sales and relatively high profit margins. The industry is well prepared, therefore, for a readjustment. Prospects for manufacturers of a diversified line of apparatus and equipment will be discussed here, but one of the major segments of the business, radio and television, will be considered separately. Current business conditions will be examined, and these observations will be supported by a tabulation of pertinent statistics as well as by comments on individual companies.

Public Utility Expansion A Highly Important Factor

Turning first to manufacturers of electrical products and in a separate section to the office equipment group, we find that sales have been rising for more than a year until recent months. Relaxation in credit restrictions in the second quarter last year, bolstered by a rise in personal income, set in motion a strong buying wave. Volume in refrigerators, electric ranges, television sets and other popular household appliances rose to new highs. Output of representative companies was enlarged by military orders and

by a construction boom which stimulated demand for a variety of control devices.

An unexpected spurt in residential construction last year, which carried over into the early months of 1953, contributed to good business in household appliances. At the same time, plant construction and modernization provided another large market for transformers, switch gear and controls untilized in automatic machinery. Expansion programs conducted by power and light utilities contributed to production of generators and other large apparatus as well as materials used in transmission of power. All in all, the last year and a half has been a period of great activity in electrical goods.

Demand was so strong last winter that major manufacturers raised prices about 8 to 10 per cent on most appliances to compensate for increased wages and raw materials. This development was one factor in checking retail sales. Strengthening of money rates which tended to retard residential construction was another adverse factor. The result has been a noticeable slackening in demand at the retail level in recent months. Production has been cut back and conditions have become increasingly competitive. Production of some appliances has dropped sharply. This is a normally dull season, however, and a better test will be available in September and October.

Emphasis on the bulge in installment obligations probably has contributed to a slowdown in electrical appliances. Credit companies have tightened restrictions to such an extent that consumers are discouraged from purchasing new refrigerators and washing machines on time. Manufacturers have been preparing for current conditions, however, and are ready to curtail production. Fairly large military orders promise to help sustain operations in a prospective retrenchment.

General Electric Co.

A good idea of what has been taking place in the industry may be had from a brief survey of the midyear statement of the large General Electric Company. Sales in the first six months rose to $1,560.4 million from $1,171.2 million in the corresponding period of 1952, while net profit jumped to $75.4 million, or $2.61 a share, from $57.1 million, or $1.98 a share, in the first half of 1952. The 33 per cent growth in sales and services in the first half testified to the higher rate of activity. Prolongation of the excess profits tax meant a reduction in earnings in the first six months of $24 million, or 83 cents a share. This figure sheds light on the EPT impact and suggests potentialities for gains in 1954 after expiration of the levy.

Although a slower pace generally is anticipated in the second half, sales of General Electric are not expected to fall back too sharply. Accordingly, volume for the full year is expected to compare favorably with the 1952 total of $2,623.9 million. Deliveries of equipment to public utilities should bulk large in the coming months. Earnings in the final half likely may be smaller than in the corresponding period a year ago, but should exceed results in the first six months. For the full year, net profit may closely approach the 1952 showing of $5.36 a share. Dividends may hold at the 1952 rate of $3 a share.

Other leading electrical companies should fare reasonably well, although manufacturers more dependent on household appliances than General Electric, Westinghouse Electric and McGraw may find competition becoming keener and margins narrower.

Westinghouse Electric Corp.

Westinghouse Electric shows promise of duplicating, and possibly bettering, 1952 net earnings of $4.23 a share for the common stock this year. Sales of $382.2 million in the first three months of 1953, were up by more than $58 million from 1952 first quarter, while net income for the 1953 period rose to $1.04 a share from 96 cents a share in the corresponding months of 1952. Second quarter earnings are expected to show a continuation of the uptrend, reflecting increased output of defense products, industrial equipment and consumer goods. Sales of consumer products, including electric housewares, electric fans, vacuum cleaners and other items, in the first five months of this year were up 30.1 per cent over the same period in 1952. Westinghouse is now getting the benefit of facilities brought into existence last year under its $296 million expansion program which provides for further additions during the current and subsequent years.

Carrier Corp.

The air-conditioning industry has aroused a great deal of interest among investors. The largest of the independents in this rapidly growing field is Carrier Corporation. Attesting to the recent rapid growth in demand for this type of equipment, may be cited the substantial increase in the company's backlog as of last April 30, amounting to $60.7 million, compared with $34.7 a year earlier.

The company considers that the greatest potential field for expansion is in the air-conditioning equipment for residences. Indicating the extension of use of air-conditioning is the increase of the company's business with producers of pre-fabricating housing in the $10,000 price class. It is obvious that an enormous field of exploitation is to be found in low-priced housing. In the meantime, great advances have been made in equipping large buildings and even factories and ships. Competition, however, is increasing in the air-conditioning industry.

For the twelve months ended April 30, the company earned $4.48 per share and it is believed likely that the higher earnings will be seen for the next twelve months. On the other hand, along with the increase in business is the requirement for increased working capital. In this connection, it is deemed probable that the company will have to resort to new financing to provide funds for its rapid expansion. In view of this likelihood, dividends may not exceed the $1.80 per share currently being paid as the company will have to retain as much cash as possible to facilitate the higher operations in prospect.

As indicated in the above general discussion on prospects for the electrical manufacturing industry, the longer-range outlook remains essentially extremely strong. However, as competition is growing and, consequently there may be some paring of profit margins over the near term, it is reasonable to expect that common stocks of electrical manufacturing companies may react temporarily in sympathy with this development. On the other hand, there is no reason to disturb positions in the more strongly placed of these issues.

Position of Leading Electrical Equipment Companies

	1953 Interim Reports			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Black & Decker	$ 17.8[1]	7.3%	$ 3.28[1]	$ 31.3[2]	7.3%	$ 5.74[2]	34	$ 2.00	5.9%	C1	Growth in "do-it-yourself" household repairing and pressure for economies in time spur demand for power tools. Wide coverage likely for $2 dividend.
Carrier Corp.	141.6[4]	3.4	4.48[4]	107.7[3]	4.2	4.89[3]	40	1.80	4.5	B1	Air conditioning boom likely to spur continued rise to new highs in earnings. Conservatism in dividends indicated to permit financing expansion.
Cornell-Dubilier	22.7[1]	3.9	1.85[1]	35.4[2]	4.3	2.86[2]	21	1.20[9]	5.7	C1	Growth stimulated by rapid increase in telvision and radio production as well as in other electrical devices. Adequate coverage for $1.20 dividend.
Cutler-Hammer	16.7[5]	5.7	1.46[5]	62.1	6.1	5.81	37	2.00	5.4	C2	Progress in electrical research keeps enlarging market for control devices, assuring promising future. Earnings point to usual extra plus $2 dividend.
General Electric W	1,560.4[8]	4.8	2.61[8]	2,623.8	5.7	5.26	72	3.00	4.1	A1	Maintenance of satisfactory margins in face of rising wage and materials costs likely to lift earnings above $5 a share and raise hope of an extra.
Master Electric	4.4[5]	9.0	.72[5]	16.8	7.9	2.42	18	1.60	8.8	C2	Despite narrower margins, earnings likely to compare favorably with $2.42 of last year, sufficient to protect $1.60 rate. Drop in sales volume seen.
Maytag	23.7[5]	6.8	.87[5]	86.8	7.7	3.66	18	1.60	8.8	C2	Slackening in consumer demand anticipated and narrower margins likely, but earnings may compare favorably with 1952, covering regular $1.60 dividend.
McGraw Electric	28.0[5]	6.4	1.77[5]	104.8	6.7	7.03	64	3.50	5.4	B2	Growing volume in equipment used by utilities should stabilize operations as demand for appliances slackens. Net indicated far above $3.50 dividend payout.
Noma Electric	22.9[7]	5.8	1.68[7]	35.5[6]	1.5	.65[6]	8	[10]	....	C3	Prospects beclouded by extensive transformation resulting in disposal of major operating units. Cash position strong, but earnings outlook obscure.
Servel	87.5[7]	.03	.10[7]	99.5[3]	1.7	.85[3]	9	.25	2.7	C3	Sharp increase in sales indicated in introduction of new products and boom in defense orders, but margins remain narrow. Dividend outlook is uncertain.
Square "D"	13.4[5]	6.9	.67[5]	55.5	8.1	3.26	24	2.00	8.3	B2	Strong growth trend in electronics likely to spur sales of control devices. Competition holding down margins. Net may dip slightly. Modest extra possible.
Sunbeam	18.9[5]	9.3	.98[5]	66.3	9.1	3.36	28	1.50	5.3	B2	High personal income likely to sustain sales of electrical appliances, but competition holding down margins. Net should warrant modest extra dividend.
Sylvania Electric	80.0[5]	4.5	1.38[5]	235.0	2.9	3.05	32	2.00	6.2	B2	Keener competition tending to reduce margins, but volume well maintained and earnings may approximate 1952 total. Adequate coverage seen for $2 dividend.
Tung-Sol Electric	10.7[5]	5.1	.97[5]	35.4	5.6	3.75	17	1.25	7.3	C2	Competitive position strengthened in highly competitive radio-TV tube field, but no more than average earnings gain indicated. Adequate coverage for $1 rate.
Westinghouse Electric W	382.2[5]	4.4	1.04[5]	1,454.2	4.7	4.23	43	2.00	4.6	B+2	Continued demand for apparatus and other utility equipment tends to offset dip in sales of household goods. Net estimated at $4, double $2 dividend.
Weston Elect. Inst.	7.4[5]	3.4	.80[5]	27.8	3.3	5.79	18	1.00	5.5	B2	Extensive defense orders expected to sustain sales, but gradual slackening likely. Earnings slightly more than double $1 dividend rate anticipated.
York Corp.	31.4[1]	2.1	.52[1]	59.1[2]	4.3	2.26[2]	19	1.00	5.2	C1	Expansion in air conditioning likely to boost sales and earnings moderately in 1953, but need for cash for working capital dictates conservative $1 rate.

[1]—6 mos. ended March 31.
[2]—Year ended Sept. 30.
[3]—Year ended Oct. 31.
[4]—12 mos. ended April 30.
[5]—Quarter ended March 31.
[6]—Year ended June 30.
[7]—6 mos. ended April 30.
[8]—6 mos. ended June 30.
[9]—Plus stock.
[10]—Payable in stock.

RAIL Equipments In Transition

By RICHARD COLSTON

Signs have become more definite that railroad buying of equipment is on the wane.

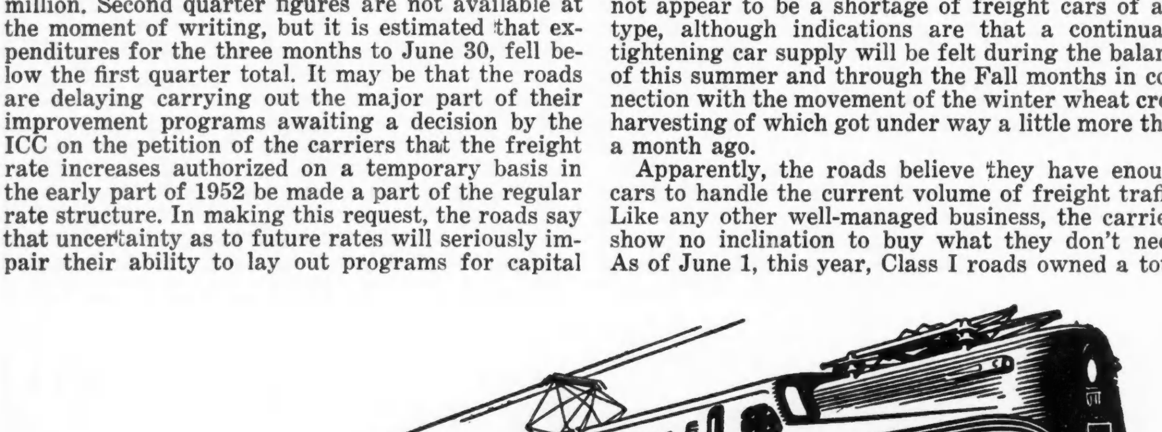
This is not a startling development. The rail equipment manufacturers long ago came to the realization that the business of producing and selling railroad rolling stock and other facilities was one of the most cyclical of all businesses.. More recently, they realized that the benefits accruing to them from railroad equipment buying at an average rate of a little more than $1 billion in each of the eight years since the end of World War II would not continue indefinitely. A rough breakdown shows that, among other things, the roads bought about 18,000 new units of diesel-electric locomotive power, more than 500,000 new freight cars and about a billion dollars worth of roadway and shop machinery, new yards and sidings, signals and communications since 1945. Last year, 1952, rail expenditures for additions and betterments totaled $1,332 million, about 71 per cent of which was spent on new equipment, the balance going for improvements to fixed property.

When the current year opened, it was estimated the railroads' capital improvement needs for 1953 would be close to $1,280 million, the annual average of the past five years. These expenditures would cover purchase of rails, crossties and other materials, signal equipment, as well as rolling stock. During the first three months of the year, however, rail equipment expenditures amounted to only $220.2 million. Second quarter figures are not available at the moment of writing, but it is estimated that expenditures for the three months to June 30, fell below the first quarter total. It may be that the roads are delaying carrying out the major part of their improvement programs awaiting a decision by the ICC on the petition of the carriers that the freight rate increases authorized on a temporary basis in the early part of 1952 be made a part of the regular rate structure. In making this request, the roads say that uncertainty as to future rates will seriously impair their ability to lay out programs for capital improvements in the latter part of this year and in 1954.

At the beginning of 1953, it was the plan of the roads to continue their freight car expansion program. This involved about 94,000 new freight cars that were to be put on the rails before the year was finished. It was also estimated that cost of freight cars and locomotives yet to be acquired under the program would exceed $2 billion, exclusive of approximately $400 million annual expenditures for improvements on roadway and structures. These hopes and estimates were expressions of the carriers' determination to continue adding to and improving facilities in order to achieve still greater operating efficiency and thereby increase operating economies.

It is now evident that some of this earlier enthusiasm, if not lost, has been checked, pending the rate decision by the ICC, and possibly a clarification of the outlook as to general business conditions through the balance of this year and into 1954. Right now, even with general business at a high level, there does not appear to be a shortage of freight cars of any type, although indications are that a continually tightening car supply will be felt during the balance of this summer and through the Fall months in connection with the movement of the winter wheat crop, harvesting of which got under way a little more than a month ago.

Apparently, the roads believe they have enough cars to handle the current volume of freight traffic. Like any other well-managed business, the carriers show no inclination to buy what they don't need. As of June 1, this year, Class I roads owned a total



of 1,849,141 freight cars of all types, a gain of 5,385 cars over the number owned on the same date a year earlier, after allowing for 58,851 cars retired and receipt of 64,236 new cars within the 12 month period. This gain is in contrast to that recorded in the year previous to June 1, 1952, of 32,471 cars, showing how drastic has been the falling off in new car orders. From a peak of 143,380 new car orders, of which 113,713 had been placed with commercial freight car builders, on April 1, 1951, volume has steadily dwindled to 52,315 new car orders on July 1, 1953. The commercial builders portion of this business amounted to 31,385 cars, the balance being scattered among the railroads' car-building shops. On the basis of average monthly deliveries of new cars in the first half of the current year, current backlog of car orders is about big enough to keep the shops going through the next nine months. There will be new orders before then if for no other reason than to replace cars now in service that have reached the retirement age. According to a recent survey by the American Railway Car Institute, the Class I roads are using about 294,000 cars of various types that have reached the age limit and should be replaced if present service capacity of the roads is to be maintained. This is cause for some optimism, but what concerns the commercial car builders and the makers of air brake and other equipment is how soon and in what volume new business materializes.

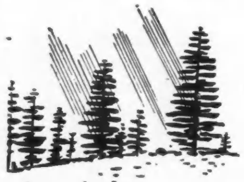
The builders of diesels and producers of diesel equipment cannot generate much enthusiasm over their outlook. A number of Class I roads are now fully or almost fully dieselized which means that diesel purchases have long since passed the peak. As of June 1, 1953, diesels on order amounted to 665 units, a decline of 186 units from the previous month, and contrasting with orders for 1,612 units on the books as of June 1, 1952. It is too early to be making positive statements, but technological developments point to the possibility that railroad power units of the future may be the oil-turbine, the steam-turbine or the coal-turbine engine. Union Pacific Railroad is reported to have an order with General Electric Co., for 25 of the gas-turbine models. Norfolk & Western is expected soon to take delivery of a steam-turbine engine of 4,500-hp., equipped with a Babcock & Wilcox coal-fed boiler, two Westinghouse Electric generators furnishing power to 12 motors, and designed and built by Baldwin Locomotive Works. For some time, Bituminous Coal Research, Inc., has carried out extensive research on a coal-fired gas turbine. The project, under a committee, representing an association of nine major railroads and five of the largest coal companies, is reported to have made considerable progress. American Locomotive Co., under an agreement, will undertake a major portion of the test program and will develop the turbine and chassis design for locomotive application. This, however, is something for the future.

Returning to matters (*Please turn to page* 578)

Position of Leading Rail Equipment Companies

	1953 Interim Reports			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Share Net Per	Recent Price	Indicated Current Div.	Yield Div.	Investment Rating	COMMENTS
American Brake Shoe	$ 36.1[1]	3.6%	$ 1.00[1]	$135.3	3.4%	$ 3.52	37	$ 3.00	8.1%	B3	1953 earnings will probably dip under last year's results, providing thin coverage for current $3 annual dividend rate.
American Car & Fdy.	257.2[4]	3.3	10.10[4]	173.9[2]	4..	7.85[2]	39	5.00[3]	12.8	B2	Contraction in car orders offset to a degree by diversified activities. Paying conservative dividend which should be maintained.
American Locomotive	52.2[1]	.07	.03[1]	349.9	1.8	2.84	14	1.40	10.0	C3	Tank buuilding through 1953 should help keep net close to 1952 level. Dividend should hold through current year.
Baldwin-Lima-Ham.	73.5[1]	2.5	.39[1]	268.9	2.6	1.51	10	.75	7.5	C2	Backlog of defense and other work may offset slower locomotive business. Should cover current dividend needs.
Budd Co.	94.8[1]	2.9	.74[1]	297.3	3.0	2.42	13	1.00	7.6	C2	Has good railway car backlog. Improved steel supply should help earnings provide ample dividend coverage.
General Amer. Transp.	4 .5[1]	4.2	.80[1]	136.6	4.7	3.03	33	2.00	6.0	B+1	Expected to show continuing uptrend of earnings this year. Stock recently split 2-or-1, may go on $2 annual dividend basis.
General Rwy. Signal	5.1[1]	5.4	.76[1]	21.3	6.7	3.91	30	2.00	6.6	B2	1953 earnings should closely parallel 1952 results, again providing good margin of this year's dividend needs.
N. Y. Air Brake	20.3[5]	5.3	1.51[5]	35.9	5.2	2.63	19	1.60	8.4	B3	Final half-year net may slump from first half level, but full year earnings should amply cover 1953 dividend needs.
Poor & Co. "B"	8.6[1]	3.6	.64[1]	34.4	3.6	2.62	15	1.50	10.0	C2	Likely that 1953 net will hold close to 1952 figures. Dividend should hold at current rate.
Pressed Steel Car	26.9[1]	4.1	.68[1]	51.2	3.8	1.12	10	.80	8.0	C1	Defense work and diversification aid to earnings. Should better 1952's $1.12 a share, providing broader dividend coverage.
Pullman	95.2[1]	2.7	1.24[1]	330.4	2.9	4.51	39	3.00	7.6	B1	Good backlog of orders for commercial products promises improved 1953 net, strengthening base for current div. rate.
Symington-Gould	5.1[1]	5.0	.25[1]	20.6	4.2	.86	6	.50	8.3	C3	Pump business aiding meager earnings from castings production. Maintenance of current dividend uncertain.
Union Tank Car	6.4[1]	....	......	25.3	17.2	4.06	41	2.60	6.3	B+2	Earnings for current year could equal or better 1952 results. Higher dividend or year-end extra possible.
Westghse. Air Brake	27.9[1]	7.8	.53[1]	93.6	11.2	2.55	26	1.60	6.1	B2	Overall operations likely to produce modest gain in 1953 net. Current dividend should be maintained.
Ygstn. Steel Door	4.6[1]	....	......	17.5	6.5	1.73	13	1.00	7.6	C3	1953 earnings expected to fall below last year's level. Current dividend rate should hold through balance of year.

[1]—Quarter ending March 31.
[2]—Year ended April 30.
[3]—Plus stock.
—[4]—Year ended April 30, 1952.
[5]—6 mos. ended June 30.



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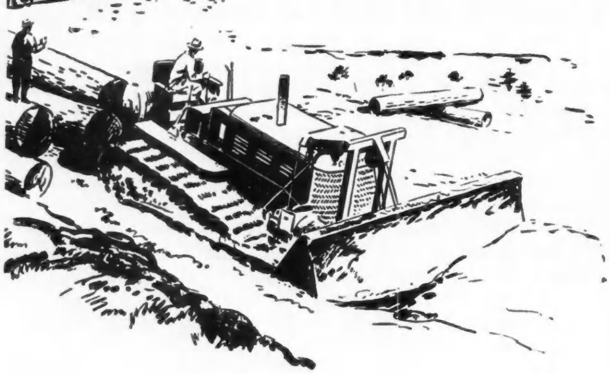
FARM EQUIPMENTS



By PHILLIP DOBBS

Some farm equipment manufacturers are taking a more optimistic view of sales potentials in the final half of the 1953 fiscal year, which for most of them ends October 31. Some dealers, who started to "sing the blues" last Fall when sales sagged, are coming around to again believing life is worth while, but others of the dealer fraternity perhaps wiser than the rest are still skittish about placing orders in fear of being saddled with heavy inventories.

The rebirth of the spirit among the optimists has been engendered by signs, admittedly nebulous at the moment, that farm implement sales may be at a brisk pace during the Fall months. There are even predictions, in some quarters, that 1953 sales volume will come close to matching that of the previous year. This, however, may not be a difficult accomplishment. Farm equipment sales through a good part of the 1952 fiscal year were held down as a result of the steel-shortage arising from the prolonged 1952 midsummer steel strike. The situation was further aggravated by operations of International Harvester, which accounts for roughly 40 per cent of total farm implement sales, being hampered by a 12 week strike in eight of its plants.

Offsetting the rosier forecasts of business in farm implements during the coming months is the belief, held by others, that farm equipment sales are over the hill; that the market had reached a saturation point. This is apparently based on the fact that American farmers have gone a long way toward complete mechanization of farm operations. Where there was only one tractor in 1940, there are approximately three today; there are now five times as many grain combines in operation now as there were then, and where there were 110,000 mechanical corn pickers in 1940, there are now about 550,000 in use at this time. Perhaps a more graphic way to present change in farm operations from manual labor to mechanization is to cite the fact between 1940 and the beginning of 1952, purchases of agricultural machinery and equipment has been three times greater than in any preceding 12-year period. It may be that the peak of buying has been passed but there continues to be a good market for what the implement makers produce. Farm operators are still under the pressure of a short labor supply and high labor costs. This condition has been one of the stimulants to farm equipment sales. In addition, the modern American farmer long ago came to realize the economic value of mechanization, and being as practical as the modern industrialist, he has concerned himself with functional improvements enabling him to work two or three acres of land, preparing, sowing or harvesting, in less time than one acre required with manual labor. But there are still close to 900,000 farms of various sizes without tractors and little, or no mechanization.

These farms represent a market of sizable proportions which the implement makers plan to cultivate by introducing new models of multi-purpose farm machinery and by intensified promotion efforts for equipment designed to meet the needs of smaller acreage farms. An example of the trend in this direction is Caterpillar Tractor's new tractor accessories consisting of hydraulically controlled tool bars, enabling a tractor to take a variety of tools for subsoiling, furrowing, and cultivating. International Harvester has brought out a new, fast hitch arrangement, making it possible to attach a variety of farm implements to a tractor without the necessity of the operator leaving the driver's seat, and J. I. Case has a new corn picker that can be hooked up with a tractor through hydraulic controls the driver manipulates while remaining in the control seat.

These are just a few of the new products developed by the farm implement manufacturers which, along with other modern, labor-saving equipment of longer standing, are going to contribute substantially to sales volume for some time to come. They have already stepped-up their sales promotion efforts. They don't believe that the cut in farm income is going to depress demand to any great extent, but nevertheless, they are mindful that farmers are not going to figuratively stand in line waiting to buy what they have to sell. As Mr. John L. McCaffrey, International Harvester's President put it, several

months back, "the competition is hot and heavy, and the salesman rather than the production man must carry the burden of the battle." In other words, dealers will have to get out and sell. Also, some bankers, evidently basing opinions on Department of Agriculture estimates of lower farm income in 1953, had been telling farmers not to buy farm equipment. Such counselling may be poor advice to the farm operator who, confronted with rising costs, not only of labor but various materials, is forced to mechanize operations to the greatest possible extent, especially when it is recognized that investments in farm implements cut production costs and are self-liquidating.

American farmers are cognizant of these truths. They also are cognizant of the fact that total farm income for 1953 is going to slide off by five and possibly 10 per cent from the 1952 total. A drop of 10 per cent would mean that farm income this year will be about $140 million less than last year, pulling it down to around $12.6 billion, compared with $14.3 billion for 1951, but still about $300 million above 1950. Asuming that this year's farm income will turn out as estimated, farm operators are not going to be poverty stricken. However, buying enthusiasm which waxes because of rising income is going to be stifled to some extent, and sales resistance may be a little stronger from now on. Farm machinery and implement makers are aware of the change taking place, but they are confident that much of the resistance can be overcome if dealers will go out after orders. Nevertheless, the manufacturers are now in a buyer's market. They are going to encounter stiff competition that is apt to cut sales for some and reduce profit margins for most of them.

International Harvester

International Harvester, effective August 3, will make a drastic cutback in tractor production, reducing daily output of tractors at its Farmall Works from 317 to 150. "The slump in demand of our products," Harvester states, "has left our dealers with constantly enlarging inventories of farm equipment. As farm prices have dropped, sales have declined. Sales now have dropped so sharply and dealers' inventories have become so large that we must reduce our production."

This action follows that taken earlier in the year in reducing production schedules on some of its farm implement products from the high levels at which it had been operating. In view of this curtailment in farm implement business, it is not likely that Harvester, in its fiscal year ending next Oct. 31, will duplicate net income of $3.76 a share for the common stock which it reported for the 1951-52 fiscal period. Any dip in net earnings, however, is not expected to be of drastic proportions, considering the good start in the first six months of the current year in which net amounted to $1.72 a share, on sales of $674.7 million, the highest in any six months in the company's history. Increased volume of defense products sales, however, contributed substantially to this total, amounting to $123.2 million. The remaining backlog of defense business, in the neighborhood of $180 million, should help Harvester over the rough spots in the current half year, and in the absence of labor unrest such as that which had a bearing on operations in the previous year, the company should come through with net amply covering the current $2 a share annual dividend rate, and providing a substantial balance to be put back into the business.

Since 1946 through 1952, Harvester has expended a total of $332.2 million for additions to land, buildings, machinery and equipment, improving its already strong position as a manufacturer of diversified products and (*Please turn to page* 574)

Position of Leading Farm Equipment Stocks

	1953 Interim Reports			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Allis-Chalmers	$117.3[1]	4.1%	$ 1.55[1]	$513.6	4.7%	$ 7.98	48	$ 4.00	8.3%	B3	Smaller backlog in both military and civilian orders and higher costs pressage lower 1953 earnings. Dividend, however, should be amply covered.
Case, J. I.	52.5[2]	.02	(d) .09[2]	153.5[3]	4.5	2.83[3]	17	2.00	11.7	C3	No encouraging prospects for improvement in final half-year net. Uncertainty surrounds future dividend policy.
Deere & Co.	208.0[2]	6.6	1.89[2]	383.1[3]	9.1	4.93[3]	26	1.50	5.7	B3	Final six months' net likely to fall below good first half showing. Dividend conservative and should be maintained.
Gleaner Harvester	3.5[4]	10.2	.90[4]	7.6[5]	14.9	2.84[5]	14	.50[6]		C3	Poor first 9 months not likely to be improved upon by operations in final quarter. No immediate prospect for dividend resumption.
International Har. W	674.9[2]	3.8	1.72[2]	1,204.0[3]	4.6	3.76[3]	27	2.00	7.4	B3	1953 net will probably fall below that of last year, but coverage will be ample for the solidly based $2 dividend.
Minneapolis Moline	46.3[2]	1.6	.50[2]	92.5[3]	4.8	4.31[3]	16	1.60	10.0	C3	Final half-year net not expected to improve on first half earnings. Reduction in dividend would be natural sequence.
Myers (F. E.) & Bros.	6.0[2]	6.4	1.94[2]	12.1[3]	8.5	5.17[3]	41	2.80	6.8	B3	Net in first half-year indicates trend which should carry through remaining months. Current dividend rate should hold.
Oliver Corp.	59.0[2]	1.3	.29	134.4[3]	4.4	2.71[3]	11	1.20	10.9	C3	Outlook offers no encouragement that 1953 net will meet current dividend needs. Uncertainty hovers over future dividend policy.

(d)—Deficit.
1—Quarter ended March 31.
2—6 months ended April 30.
3—Year ended October 31.
4—9 months ended June 30.
5—Year ended Sept. 30.
6—Directors 5/13 took no action on dividend.

OUTLOOK FOR OFFICE Equipments

By JOHN D. C. WELDON

In considering stocks representing the office equipment industry it is important to take into ac-account the type of products manufactured. Demand for machines has been fairly well maintained where the motivating factor is labor economy. Thus, manufacturers of calculating equipment, accounting machines and record-keeping devices have fared well, but companies specializing on typewriters have found that peak demand has passed. The reason is evident. Rising wages for office help have compelled employers to replace workers with machines wherever possible. On the other hand, the obsolescence factor in typewriters is negligible.

With advances in electronics, manufacturers have developed efficient billing machines and record-keeping equipment capable of giving substantial savings for large public utilities which must send bills monthly or bimonthly to consumers. Large financial institutions, such as insurance companies, banks and others engaged in making numerous computations have achieved worthwhile savings through utilization of modern equipment. Only the surface has been scratched in this trend, but adoption of newer methods comes slowly, and the total volume of potential business to be obtained is not huge.

Downturn in Typewriters

Sales of typewriters have been in a downtrend for almost a year, following completion of a rush of buying in anticipation of price increases and in reflecting effects of the upturn in industrial activity a couple of years ago. Profit margins have narrowed in the industry, especially for manufacturers depending largely on typewriters, since price increases to compensate for higher costs have been nominal. Advances in March, following removal of price ceilings, brought about more satisfactory results for makers of so-called office-efficiency machines, such as accounting and book-keeping equipment.

Although extension of excess profits taxes for an additional six months will postpone relief for some companies, actually not many in the office equipment group figure to be subject to EPT to any important extent. A decline in pre-tax income indicates smaller liabilities for taxes. With the prospect of continuing downtrend in profits, some reductions in dividend rates which have prevailed in recent years may be anticipated.

To illustrate current conditions in the office equipment industry, it may be helpful to review one of the leading companies in some detail. Evidence of the drop in sales in the first six months this year is found in the midyear statement of the Underwood Corp., which has been endeavoring in recent years to minimize its dependence on typewriters. This company reported profit before taxes for the six months of $1,265,000, which compares with $2,714,000 in the first half of 1952 and with $6,888,000 in the corresponding period two years ago. Net profit declined to $896,762, or $1.20 a share, from $1,652,000, or $2.25 a share, in the first six months last year. Two years ago the first half yielded earnings of $3.01 a share. Unless results improve markedly in coming months, stockholders may have doubt over maintenance of the regular 75-cent quarterly rate. The year-end extra of $1 a share paid in recent years seems improbable this year.

The realization that greater diversification was desirable spurred management to enlarge operations in recent years. Acquisition of Electronic Computer Corp., following negotiations for distribution of a British punch card system in the United States and Canada, has contributed to improvement of the company's competitive position in the accounting machine field.

Other companies have taken steps to round out full lines of office machines to meet competitive conditions. Indications point to keener competition in this industry, but growth potentials look interesting for the longer term, because the need for economies in white collar labor is apparent.

Sales Problems Increasing

Summarizing prospects for stocks in the electronics category, it seems likely that some belt-tightening may be in store for many companies as adjustments are made for a period of keener competition,

where sales problems are destined to be more important than manufacturing troubles. Generally speaking, stocks in this group have been realistically appraised, however, and stockholders have been looking for more cautious dividend policies. The absence of speculative excesses should make the transition to normal conditions no serious problem.

We give a brief analysis of the leading company in the field: International Business Machines Corporation continues to make an unparalleled showing in the development of new electronic devices, in which it has an outstanding position. It is believed, for example, that the company is about to unveil a new "electronic miracle" for use in processing facts needed for automatic production controls. This is considered a revolutionary development. The company has gone very far in the ultimate solution of such difficult problems as the implementation of weather statistics and forecasting. It has also proceeded substantially in the field of astronomical observation and is an important factor in atomic research. With this background, it is obvious that I.B.M. is among the very foremost of the so-called "growth" companies.

Earnings for the first six months this year were \$15.5 million, equivalent to \$4.87 a share on the 3,198,000 shares outstanding. This compares with \$13.9 million and \$4.36 a share in the corresponding period of the previous year. The president, at the recent annual meeting, stated that the company would be able "to take in its stride any cutbacks in defense orders that might come its way." It is significant that the company has never laid off men since 1921. Presumably, the expectation is that civilian orders will be substantial enough to compensate for any decline in defense orders. In the meantime, shipments of defense material for the government are increasing and earnings for the full year are likely to exceed those of 1952. In that period, \$9.81 per share was earned. With the stock hovering close to 250, it would seem that a split in the shares is a logical expectation. In 1948, the stock was split 1¾ for one and a 5% stock dividend has been paid in each year since.

National Cash Register Co., continues to hold its foremost position as a manufacturer of cash registers is becoming an important producer of business machines, including adding and accounting equipment, and billing machines for utility companies. It has extended its interests in the electronics field through acquisition of about an 80% interest in the Computer Research Corp. The progress of the company in diversifying operations is seen in 1952 sales of \$226.5 million, an all-time high, made up of 51% in sales of cash registers and 49% in accounting and other business machines. Net earnings for the year of \$5.14 a share for the capital stock, was down from 1951 net of \$5.82 a share, the dip reflecting higher wage costs. Results in the first half of this year have been highly encouraging. Sales amounted to \$125 million, compared with \$106.8 million in last year's first half which produced net of \$2.56 a share, whereas earnings in the 1953 half amounted to \$2.83, almost the full year's dividend needs.

Position of Leading Office Equipment Companies

	1953 Interim Reports			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Addresgph.-Multigraph	\$ 45.8[6]	6.9%	\$ 3.97[6]	\$ 63.2[1]	7.1%	\$ 5.84[1]	51	\$ 3.00	5.8%	B2	Growth in direct mail advertising and pressure to reduce manual costs should sustain demand for products. Ample coverage likely for \$3 dividend.
Burroughs Corp.	38.8[2]	5.1	.40[2]	150.8	5.2	1.58	14	.80	5.9	B3	Keen competition and increased emphasis on defense work tending to reduce margins. Growth in electronics promising for long term. Dividends modest.
Felt & Tarrant Mfg.	2.5[2]	5.6	.26[2]	9.9	4.1	.76	10	.80	8.0	C3	Difficulty in counteracting rising costs tends to reduce profit margins. Slim coverage for 80¢ dividend rate. Limited growth outlook adverse factor.
International Bus. Mach.	n.a.	n.a.	4.87[9]	333.7	8.9	9.81	231	4.00[7]	1.7	A1	Long range growth in electronic calculators promising. Sales prospects continue favorable, but narrower margins trim profits. Usual \$4 rate protected.
National Cash Reg.	125.0[9]	4.4	2.83[9]	226.5	4.4	5.14	52	3.00	5.7	B2	Volume enlarged by defense orders, but keener competition in industrial lines tends to restrict profits. Earnings may top 1952 total and easily cover \$3 rate.
Pitney-Bowes	8.2[2]	5.6	.39[2]	30.6	5.2	1.34	20	1.00	5.0	B2	Sales tend to follow trend of industrial activity, suggesting good year and modest profit rise for 1953. Regular \$1 rate could be increased next year or so.
Remington Rand	235.5[4]	6.0	2.71[4]	227.4[3]	6.6	2.96[3]	16	1.00	6.2	B3	Growth in electronic computers looks promising, but keen competition in regular lines tending to hold down margins. Net may be slightly lower. \$1 rate safe.
Royal Typewriter	53.1[6]	3.7	1.64[6]	58.2[1]	5.3	2.62[1]	16	1.62	10.1	C3	Rising costs and keen competition in typewriters reflected in narrower margins. Defense orders increasing. Ample cover for \$1.50 dividend rate indicated.
Smith, L. C. & Corona	24.4[8]	2.9	2.23[8]	30.6[5]	3.9	3.70[5]	17	2.00	11.7	C2	Sales volume well maintained, but higher costs tend to reduce margins and earnings seem likely to decline slightly. Coverage for \$2 dividend seems quite ample.
Underwood Corp.	n.a.	n.a.	1.20[9]	65.8	5.6	5.00	44	3.00	6.8	B3	Earnings adversely affected by rising costs and keen competition. Military business growing. Net profit likely well below 1952 and year-end \$1 extra doubtful.

n.a.—Not available.
1—Year ended July 31.
2—Quarter ending March 31.
3—Year ended March 31, 1952.
4—Year ended March 31, 1953.
5—Year ended June 30.
6—9 mos. ended April 30.
7—Plus stock.
8—9 months ended March 31.
9—6 mos. ended June 30.

FOR PROFIT AND INCOME

Groups

The summer-rally highs up to this writing left the Dow industrial average up less than 4% from its June low and the rail average by a little over 8%. The industrial average has yet to better its May closing level, from which summer rises are generally figured. So, if you want to quibble about it, this is still just a minor rebound for the industrial section and not "the usual summer rise". Be that as it may, most of our weekly stock-group indexes have held in a narrow range since the June low in the combined index was recorded. Three have set new 1953 highs in the course of the small general rally. They are bus-line stocks, in which market interest is very limited, food stores and tobaccos. On the other hand, the rally has entirely bypassed a fair number of groups, with the following breaking their June lows within recent weeks and thus recording new lows for 1953 or longer: Aircraft, automobiles, construction, house furnishings, mail order, railroad equipment, sugar and textiles. Others acting relatively poorly in the recent market include air lines, auto parts, copper and brass, gold mining and shipbuilding.

Reasons—Favorable

Correcting the earlier squeeze under OPS prices, earnings of food-store companies have been showing considerable improvement. This explains the relatively good behavior of the stocks. The new high for the bus line group, which is dominated by Greyhound, was by a nominal margin. We cannot cite a reason and would not buy any bus line stock. The range has been fairly narrow in recent years at levels well under the speculative 1946 highs.

Unfavorable

While earnings in aircraft are still rising, investors are looking ahead—perhaps too far ahead—to "peace" and order cutbacks. The stocks rally on good earnings-dividend news, sink on "peace" news . . . Profits of the leading air lines are the best in some time, but this is a highly speculative group and more people are paring speculative holdings, regardless of current earnings, than are adding to them . . . Sentiment is more or less sour on auto and auto parts stocks, taking it for granted that peak sales and profits were seen in the first half . . . Construction has passed its peak in the residential field, and other classifications are believed to be in a top area . . . Mail order and house furnishings business is better than the action of the stocks, but investors lack confidence that it will continue good . . . Railroad equipment orders and order backlogs are well down from their defense-supported cyclical peak . . . Sugar production and textiles are depressed lines, with the former sharply so . . . The market figures it is only a question of time before copper and brass prices, sales and profits move downward . . . Ideas of "peace" and economy at Washington are bad for the shipbuilding business . . . Gold-mining may remain relatively poor for a long time. Profits could be

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Monsanto Chemical	6 mos. June 30	$2.51	$2.05
Eversharp, Inc.	May 31 Quar.	.47	.33
National Auto. Fibres, Inc.	6 mos. June 30	2.10	.99
Allegheny Ludlum Steel	June 30 Quar.	1.25	.49
Cincinnati Milling Machine	12 weeks June 13	3.28	2.10
General Instrument Corp.	May 31 Quar.	.75	.17
Devoe & Raynolds Co.	6 mos. May 31	1.36	.70
General Electric Co.	June 30 Quar.	1.44	.97
Rohm & Haas Co.	June 30 Quar.	1.86	1.33
Magma Copper Co.	6 mos. June 30	2.53	.70

raised by a significant fall in production costs or by a higher official gold price, but neither is now foreseeable.

Strong

Stocks which have recently shown exceptional strength, recording new highs for 1953 or longer, are: American Tobacco, First National Stores, Denver & Rio Grande Western, American Sumatra Tobacco, Lambert, Lorillard, Ohio Oil, Seaboard Oil, Reynolds Tobacco, Detroit Edison, General American Transportation, American Stores, American Home Products. In most cases the reasons are general and tie in with group strength. Otherwise, it may be noted that the two oils cited are both essentially crude producers; that Detroit Edison reflects a higher dividend; and that General American Transportation has been boosted by a split, liberalized dividend and development of a new chrome-plating process believed to have important potentialities.

Weak

Exceptionally soft stocks in recent trading have been too numerous to cite in any detail. However, some of the more important instances include Chrysler, Firestone Tire, Clevite, U. S. Plywood, Air Reduction, Crane, Electric Auto Lite, Borg-Warner, Kennecott, Phelps Dodge, Philco, Studebaker, Celanese, National Cash Register, Ruberoid, Underwood, Montgomery Ward, and Thompson Products. Here, too, the reasons are more general than otherwise, tie in with group behavior in most cases.

Selectivity

Measured from the end of last year, the Dow-Jones industrial average has had a net decline of 7.5% up to this writing. But, as usual, it has remained a "market of stocks". For instance, the following stocks currently show approximately the following percentage gains over 1952 closing levels: American Tobacco 15%, Reynolds Tobacco "B" 13%, Lorillard 18%, McGraw-Hill 13%, National Tea 13%, General American Transportation 10%, Denver & Rio Grande Western 8%, Continental Can 7%, and Halliburton 5%. On the other hand, many stocks have fallen much more than the industrial average so far in 1953. Some random examples, with approximate percentage losses, are: Celanese 36%, American Viscose 28%, Studebaker 27%, Chrysler 26%, Electric Auto Lite 22%, Underwood Corp. 21%, Firestone 21%, Kennecott Copper 19%, Northern Pacific 19%, and Philco 17%.

Boom

So far as physical volume is concerned, the air-conditioning field is booming. Sales of room-cooler units in the 1953 first half were about 215% above those of the 1952 first half. For 1953 as a whole they probably will exceed 1,000,000 units, against 365,451 in 1952. From an investment or speculative point of view, the trouble is that, with more and more manufacturers trying to make hay out of this field, supply is not only keeping pace with demand, but evidently exceeding it. Mid-summer finds some models offered by retailers at sharp discount prices. Then, too, most makers have many other irons in the fire besides air conditioners; and are, or will be, subject to shrinkage in over-all sales, regardless of future growth in air-conditioning volume. Profit growth in this field obviously will lag behind volume growth in terms both of units and dollar sales. The highest air-conditioning "content" is in Carrier Corp., next highest in York, next highest in Fedders-Quigan, but it is not 100% even for Carrier. Regardless of the air-conditioning boom, these stocks have receded more from their highs than has the industrial average. Carrier is down roughly 10% from earlier 1953 bull-market high, York is down about 17%, Fedders-Quigan about 16%.

Automobiles

The stock market is saying that the automobile boom has passed its crest and that a considerable shrinkage is inevitable in second-half sales and profits, with a bigger one coming up in 1954. Among some of the biggest companies in autos, parts or tires, there is responsible executive opinion that the market is over-pessimistic. It holds that second-half production will be only modestly under that of the first half, that the "normal" demand for cars is now much bigger than some people suppose, and that, if the general business adjustment ahead is moderate, it will be moderate also for the automobile industry. Well, time will tell which view is correct. One certainly is that the Big Three—General Motors, Chrysler and Ford—have regained their pre-Korea shares of the market in jig tie, needing therefore only the end of Government favoritism of the "independents" via control of materials. In that respect, General Motors has done the outstanding competitive job. This stock is the No. 1 investment issue in the group by the proverbial mile. Chrysler is second, of course. Studebaker tops the independents like a circus tent, but will have a hard row to hoe against the big three. To say that the outlook for Hudson, Kaiser-Frazer, Nash and Packard is unimpressive seems logical under the circumstances.

Food Chains

The superior market action of food-store stocks, maintained for many months, follows nearly a two-year 1950-1951 period in which they lagged. The reason is simple. These companies were squeezed by OPA price ceilings. They are now benefitting from normal price flexibility, with dollar sales gradually rising. None

(*Please turn to page* 580)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Collins & Aikman Corp.	May 30 Quar.	$ .30	$ .50
Granby Consol. Mining	June 30 Quar.	.21	.44
Kimberly-Clark Corp.	Year April 30	4.08	5.29
Crown Zellerbach Corp.	Year April 30	3.52	3.88
Amer. Broadcast.-Paramount	July 4 Quar.	.17	.44
Conde Nast Publications	6 mos. June 30	.30	.47
Seagrave Corp.	6 mos. June 30	.76	1.47
United States Lines Co.	6 mos. June 30	2.00	3.34
Endicott Johnson Corp.	6 mos May 30	1.65	2.28
Howe Sound Co.	June 30 Quar.	.13	.47

The BUSINESS ANALYST

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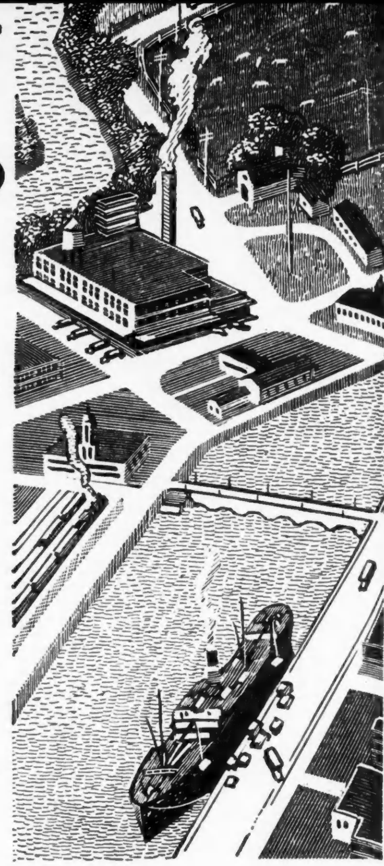
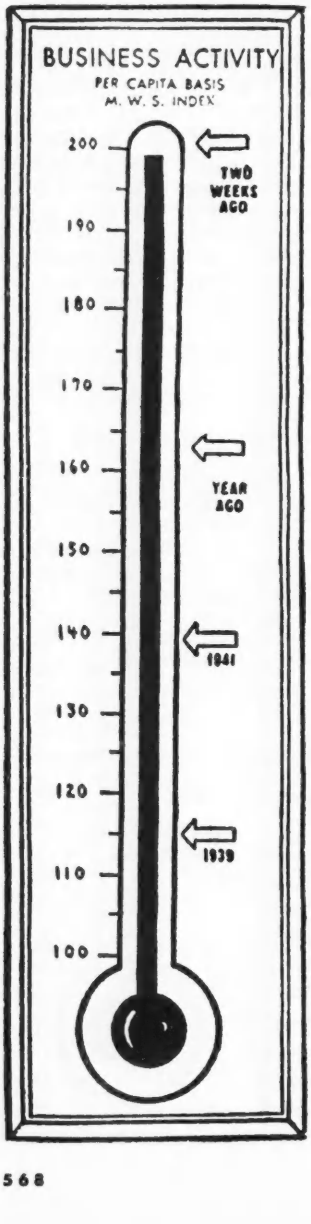
What's Ahead for Business?



By E. K. A.

Now that the end of the war in Korea has become an actuality rather than a nebulous and distant promise, business men are looking increasingly for "soft spots" in the economy. While some extension of the slowdown in industrial activity, for example, is regarded generally as almost inevitable, evidence is lacking on whether the slow rate of decline will continue in the months ahead or whether the rate will be accelerated.



Although governmental and private agencies collect and publish a vast amount of data on all phases of our economy to guide the business man and investor, most of these data are subject to a common fault, that of lateness. During periods of comparative economic stability, this lateness is not a serious handicap. However, during periods such as the present when there is a possibility that we may be near a turning point, much of the usual data on the broad aspects of the economy become of only limited value as guideposts.

It is a matter of record that, regardless of how early in the year business activity may have peaked out, business men and investors never have become seriously concerned over the situation until Autumn. The customary summer lull in business, taken for granted as a seasonal phenomenon, tends to obscure—except for the most astute — the true developments in the business situation. Not until Fall business then failed to record as much seasonal improvement as usual, has concern over the situation mounted. On occasions, as in 1929 and 1937, the sudden realization that all has not been well for many months has resulted in rapid deterioration of business confidence.

Conversely, it is almost axiomatic that, if we can get through one Fall without any untoward developments, we are fairly safe until the next Fall.

Every business boom is a durable goods boom and every recession is a durable goods recession. The great areas of elasticity of demand and of productive activity lie almost completely in the durables field. In its broadest sense, this also includes both residential construction and capital expansion.

Nevertheless, since it is important to gauge over the coming weeks the reaction of the general public to peace in Korea, the weekly data on department store sales—mainly soft goods—will bear careful watching. Ordinarily, these sales data which are only a small part of total retail sales are of very limited significance but they do furnish at this time a valuable indication of which way the wind is blowing.

Department store sales declined unaccountably in July, as they also did last April when peace in Korea appeared to be only a matter of days away. It should be noted that a similar decline occurred in July of last year, followed by a sharp recovery in August. If weekly sales however, during this August fail to rally, this would suggest that the buying public is pulling in its horns.

Prices of older residences have been declining for some months and latterly, freshly built houses have begun to sell more slowly. The postwar housing boom is not going to collapse overnight, but it does appear to be on the downgrade. Local situations, except where unusual and readily recognizable conditions prevail, furnish a valuable guide to the nationwide trend.

While new cars have been moving fairly well and much better than used cars, the status of business during the balance of the year is in great doubt. Here again, local conditions in the coming weeks, as well as the trends in weekly automobile production, will bear careful watching.

The rate of applications for installment and mortgage loans, the degree of willingness of bankers to grant consumer and mortgage credit, the rate of repayments on loans, and the amount of repossessions also need to be watched both locally and nationally. There is no one good guide to what actually is happening under our very nose, but any adverse trends in these would be highly significant.

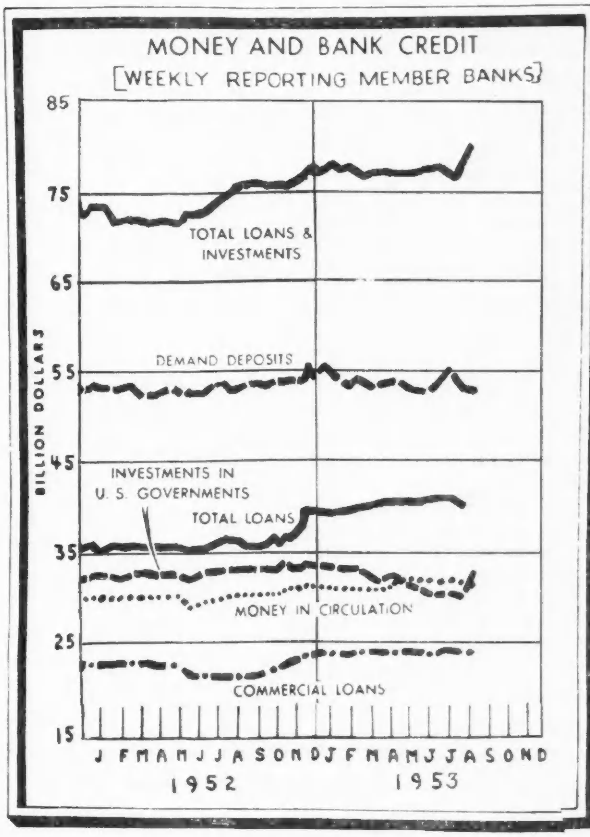
The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—The Treasury, replenished by the recent sale of $5.9 billion in tax anticipation certificates, is basking in a sudden access of prosperity and its general fund balance now stands at $9.2 billion as against a rather slim $3.5 billion on July 14. The Government's fiscal agency is thus well heeled to meet the continued excess of expenditures that is in prospect. Secretary Humphrey has been predicting that the Treasury's new money needs for the second half of this year would be in the neighborhood of $9 to $12 billion, depending on the demand for cash payment by holders of maturing Treasury obligations. Part of this will be recouped in the first half of 1954 and the Administration looks for a $5.6 billion deficit for the year ending June 30. The new fiscal year has not started out as though it were going to set any records in the field of government spending. Up to July 23, expenditures since July 1 have been $780 million below the corresponding period of last year and the deficit is $900 million under a year ago. Admittedly, the period under review is too short to carry much significance but there are certain factors to consider which appear to indicate that the deficit for fiscal 1954 will be fairly below the $9.4 billion in red ink for the previous fiscal year. For one thing the cessation of Korean hostilities will undoubtedly result in spending cuts although it would be hard to estimate the savings with any degree of exactitude. In addition, improved corporate earnings this year should result in a satisfactory yield from corporate taxes in the first half of 1954. Returns from this source were below expectations in the first half of 1953 because of the effects of the steel strike on 1952 earnings.

Treasury obligations have been firm in the two weeks ending July 27 and the thirty-year 3¼s closed 3/16 point above par against a price of 100 two weeks earlier. The Victory 2½s were unchanged during the period to close at 93⅛ on July 27. Corporate bonds have shown some improvement in the two weeks under review and an average of yields of best-grade bonds stood at 3.25% on July 27 as against 3.28% on July 13. One reason for the price firmness is the current paucity of new offerings, usual at this time of year, although borrowers will be coming to market in a big way beginning next month. Similar conditions exist in the market for tax-exempt issues and scheduled bond offerings for the week ending August 1 were only $57,146,105, against $77,315,522 the week before and a weekly average for the year to date of $148,913,259. Yields on tax-exempts has been dropping steadily during July and the Bond Buyer's index of municipal bond yields stood at 2.95% on July 23 against 2.97% the week before and 3.09% on June 25, when yields reached their high for the year.

TRADE—Retail sales improved somewhat in the week ending Wednesday, July 22 as special seasonal promotions brought in buyers. Easy credit terms continued to be an important factor in sales of consumer durable goods. Total dollar volume for the week was some 3% above the corresponding 1952 period according to Dun & Bradstreet estimates. Apparel sales were brisk with demand for men's lightweight suits especially large. Home furnishings moved slowly in line with usual seasonal trends and cooling devices sold well.



Department store sales for the week ending July 18 were 2% ahead of a year ago with the New York and Philadelphia areas making the best gains, 5% above last year. The Richmond and Minneapolis districts lagged, registering 2% declines when compared with the corresponding 1952 period.

INDUSTRY—Industrial output remains at high levels and the MWS Index of Business Activity on a per capita basis stood at 199.0% of the 1935-1939 average for the week ending July 18 against 200.2% the week before. A year ago the index was down to 163.1, reflecting the effects of the then-current steel shut-down. In the latest week coal production returned to normal as the miners' annual holiday came to an end. Electric power output was higher as were freight car loadings and lumber shipments. However, crude oil runs to stills dipped sharply to 7,088,000 barrels from 7,267,000 the week before.

COMMODITIES—Commodities in general have been showing price improvement of late and the Bureau of Labor Statistics index of primary prices rose 0.5% in the week ending Tues-

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	June	4.4	4.1	3.9	1.55
Cumulative from mid-1940	June	509.9	504.5	457.1	13.8
FEDERAL GROSS DEBT—$b	July 22	272.5	272.4	263.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	July 15	52.6	52.8	52.0	26.1
Currency in Circulation	July 22	30.1	30.2	28.9	10.7
BANK DEBITS—(rb3)**					
New York City—$b	June	52.4	51.3	49.4	16.1
344 Other Centers—$b	June	96.6	95.1	85.6	29.0
PERSONAL INCOMES—$b (cd2)	May	283,8	282.7	266.2	102
Salaries and Wages	May	193	193	176	66
Proprietors' Incomes	May	50	49	52	23
Interest and Dividends	May	22	22	21	10
Transfer Payments	May	14	14	13	3
(INCOME FROM AGRICULTURE)	May	18	17	21	10
POPULATION—m (e) (cb)	June	159.5	159.3	156.8	133.8
Non-Institutional, Age 14 & Over	June	111.5	111.4	109.6	101.8
Civilian Labor Force	June	64.7	63.0	64.4	55.6
unemployed	June	1.6	1.3	1.8	3.8
Employed	June	63.2	61.7	62.6	51.8
In Agriculture	June	7.9	6.4	8.2	8.0
Non-Farm	June	55.2	55.3	54.4	43.2
At Work	June	60.6	59.7	59.0	43.8
Weekly Hours	June	43.3	42.1	43.2	42.0
Man-Hours Weekly—b	June	2.62	2.51	2.55	1.82
EMPLOYEES, Non-Farm—m (lb)	May	48.9	48.8	47.4	37.5
Government	May	6.6	6.6	6.6	4.8
Factory	May	13.7	13.8	12.7	11.7
Weekly Hours	May	40.6	40.8	40.2	40.4
Hourly Wage (cents)	May	175.0	175.0	165.0	77.3
Weekly Wage ($)	May	71.05	71.40	66.33	21.33
PRICES—Wholesale (lb2)	July 21	111.0	110.5	111.8	66.9
Retail (cd)	May	208.3	207.9	210.3	116.2
COST OF LIVING (lb3)	May	114.0	113.7	113.0	65.9
Food	May	112.1	111.5	114.3	64.9
Clothing	May	104.7	104.6	105.8	59.5
Rent	May	123.0	122.1	117.4	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	June	14.5	14.5	14.0	4.7
Durable Goods	June	5.1	5.1	4.9	1.1
Non-Durable Goods	June	9.4	9.3	9.1	3.6
Dep't Store Sales (mrb)	June	0.88	0.87	0.84	0.34
Consumer Credit, End Mo. (rb2)	May	26.7	26.2	21.7	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total **	May	25.7	25.7	22.7	14.6
Durable Goods	May	12.8	12.6	11.0	7.1
Non-Durable Goods	May	12.9	13.1	11.8	7.5
Shipments—$b (cd)—Total**	May	26.3	26.8	23.2	8.3
Durable Goods	May	13.3	13.5	11.3	4.1
Non-Durable Goods	May	13.0	13.3	11.9	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	May	77.1	76.5	73.1	28.6
Manufacturers'	May	45.0	44.6	43.1	16.4
Wholesalers'	May	10.3	10.2	9.9	4.1
Retailers'	May	21.7	21.7	20.1	8.1
Dept. Store Stocks (mrb)	May	2.6	2.5	2.3	1.1
BUSINESS ACTIVITY—1—pc	July 18	199.0	200.2	163.1	141.8
(M. W. S.)—1—np	July 18	242.8	244.3	194.1	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 569)

day, July 21, on top of a gain of 0.6% the previous week. The rise in the past two weeks has been led by farm products with a 4.7% advance, reflecting higher prices for many fruits and vegetables, livestock and eggs. The index of meat prices has soared 12.6% since July 7 and this has been the main reason for the 3.5% improvement in processed foods in the two week period.

* * *

A change in the hitherto rosy outlook for building seems to be at hand with **CONSTRUCTION CONTRACT AWARDS** dipping sharply in June. For the 37 Eastern States, F. W. Dodge Corporation reports that contract awards amounted to only $1.2 billion, a 25% drop from May and 19% below June, 1952. Construction contracts for residential building came to $463.1 million in June or 20% below last year, non-residential contracts of $459.2 million were down 17% and heavy engineering contracts of $288.2 million were 19% under a year ago. For the first six months of this year, construction contract awards were still 2% ahead of the first six months of 1952 but this represented quite a cutback from the 8% lead that existed at the end of the first five months.

* * *

The value of **EXPORTS** from the United States rose to $1438.7 million in May from $1,393.9 million the month before and $1474.0 million a year ago, according to Census Bureau data. The export total includes shipments of military aid under the Mutual Security Program amounting to $362.6 million in May, $339.8 million in April and $235.8 million in May, 1952. Export increases from April to May were noted for machinery and vehicles, raw cotton and steel mill products. Wheat exports declined but corn shipments were somewhat higher. **IMPORTS** into this country were valued at $901.7 million in May, a decline from April's $1,012.2 million worth of goods. There were sharp reductions in imports of green coffee and raw sugar. Receipts of rubber, copra, wool and cotton also were lower.

* * *

BUSINESS FAILURES rose markedly in June, involving 817 firms, the highest toll in three years and 22% above a year ago. The rate of failure increased to 35.8 a year for every 10,000 enterprises listed by Dun & Bradstreet, according to Dun's Failure Index which is seasonally adjusted. This index stood at 30 in May and 31 in June, 1952. There was an increase in the

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	May	241	241	211	174
Mining	May	167	164	140	133
Durable Goods Mfr.	May	320	326	277	220
Non-Durable Goods Mfr.	May	201	198	181	151
CARLOADINGS—t—Total	July 18	791	721	609	833
Misc. Freight	July 18	369	349	301	379
Mdse. L. C. L.	July 18	63	63	67	156
Grain	July 18	64	57	66	43
ELEC. POWER Output (Kw.H.) m	July 18	8,209	8,096	7,180	3,267
SOFT COAL, Prod. (st) m	July 18	9.2	6.9	6.6	10.8
Cumulative from Jan. 1	July 18	240.4	231.2	254.2	44.6
Stocks, End Mo.	May	72.9	70.5	79.3	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	July 18	6.6	6.5	6.1	4.1
Gasoline Stocks	July 18	144	144	117	86
Fuel Oil Stocks	July 18	48	47	50	94
Heating Oil Stocks	July 18	95	90	77	55
LUMBER, Prod.—(bd. ft.) m	July 18	232	179	240	632
Stocks, End Mo. (bd. ft.) b	May	8.0	8.1	8.0	7.9
STEEL INGOT PROD. (st) m	June	9.4	10.0	1.6	94
Cumulative from Jan. 1	June	58.0	48.6	45.0	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	July 23	253	264	278	94
Cumulative from Jan. 1	July 23	8,937	8,684	7,962	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	July 18	196	175	168	165
Cigarettes, Domestic Sales—b	May	31	32	32	17
Do., Cigars—m	May	506	520	500	543
Do., Manufactured Tobacco (lbs.)m	May	18	19	18	28

PRESENT POSITION AND OUTLOOK

number of failures for each industry and rade group with the biggest rise occurring n construction which had the highest number of failures for any month on record. Failures in retail trade were also heavy and the largest since 1950. **LIABILITIES** involved in June failures amounted to $32,379,000, almost as high as May and some 50% above June, 1952. For the first half of 1953, liabilities of failing firms came to $174,352,000 compared with $146,859,000 for the first six months of last year.

* * *

New orders received by manufacturers of **MACHINE TOOLS** were higher in June and the index of such orders, compiled by the National Machine Tool Builders Association, advanced to 272.8% of the 1945-1947 average from 246.4 in May but was still under the 342.9 level of a year ago. Shipments in June fell for the third month in a row to 341.1% of the base period which compares with the high of 375.9 reached in March. The rate of production in June stood at 408.0% of the 1945-1947 average, a bit below May's 412.2% level. At current production rates t would take 7.2 months to fill all the orders on the books. This compares with a 7.7 month ratio of unfilled orders to production in May and one of 12.8 months n June, 1952.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. dlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. i—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1947-49—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, total consumer credit. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *1941; November or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1953 Range High	1953 Range Low	1953 July 17	1953 July 24
300 COMBINED AVERAGE	215.5	192.6	194.8	194.0
4 Agricultural Implements	263.3	214.7	219.8	219.8
10 Aircraft ('27 Cl.—100)	415.6	337.4	344.5	337.4
7 Air Lines ('34 Cl.—100)	693.9	577.2	583.7	583.7
7 Amusement	95.5	81.6	84.2	86.8
10 Automobile Accessories	289.4	245.1	250.3	245.1Z
10 Automobiles	49.4	41.8	42.3	41.8Z
3 Baking ('26 Cl.—100)	28.0	23.8	26.3	26.3
3 Business Machines	377.4	326.1	329.8	329.8
2 Bus Lines ('26 Cl.—100)	187.2	170.2	182.1	187.2A
6 Chemicals	396.9	245.8	353.6	353.6
3 Coal Mining	15.4	11.2	11.2	11.5
4 Communications	69.3	63.0	66.2	66.2
9 Construction	72.3	63.4	63.4	63.4
7 Containers	519.4	461.7	480.9	476.1
9 Copper & Brass	175.4	142.5	145.6	142.5Z
2 Dairy Products	97.7	92.3	95.9	95.0
5 Department Stores	63.2	57.7	58.3	58.3
5 Drugs & Toilet Articles	235.2	219.5	226.2	226.2
2 Finance Companies	410.0	341.8	358.1	349.9
7 Food Brands	200.4	190.8	196.6	196.6
2 Food Stores	123.6	113.0	122.4	123.6A
3 Furnishings	79.2	67.9	68.6	67.9Z
4 Gold Mining	760.0	614.6	614.6	634.5

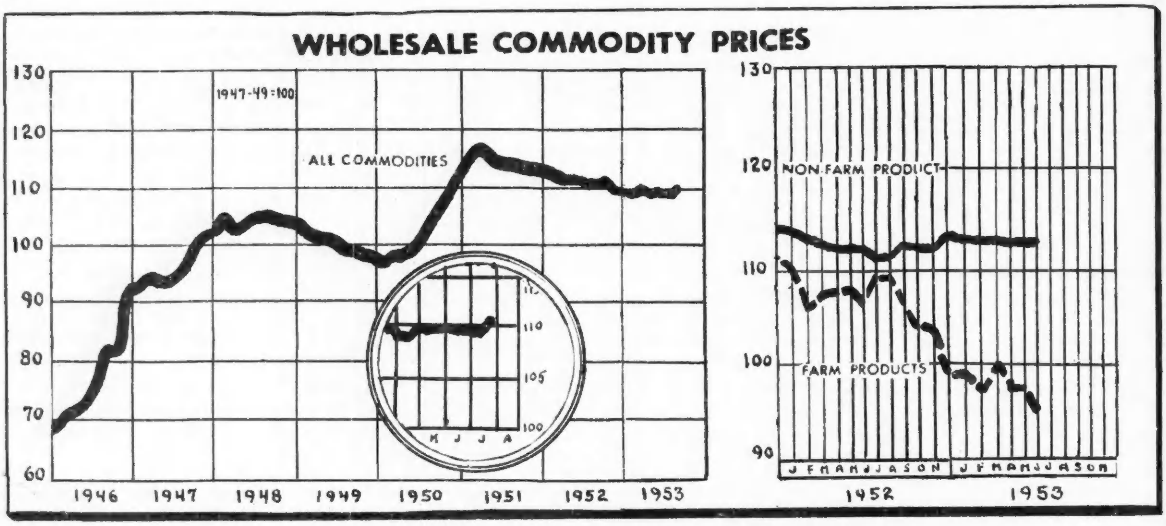
A—New High for 1953.

(Nov. 14, 1936, Cl.—100)	High	Low	1953 July 17	1953 July 24
100 HIGH PRICED STOCKS	133.5	120.8	122.9	122.3
100 LOW PRICED STOCKS	260.6	228.7	230.3	229.8
4 Investment Trusts	112.7	97.5	99.7	99.7
3 Liquor '27 Cl.—100)	967.8	866.4	884.8	884.8
11 Machinery	240.6	208.5	210.8	208.5
3 Mail Order	128.6	111.8	113.0	111.8Z
3 Meat Packing	101.7	88.4	89.3	88.4
10 Metals, Miscellaneous	284.5	229.7	232.3	229.7Z
4 Paper	474.8	408.2	430.4	421.5
24 Petroleum	463.4	413.2	422.3	417.8
22 Public Utilities	194.4	173.8	181.3	181.3
8 Radio & TV ('27 Cl.—100)	36.9	30.8	31.1	30.8
8 Railroad Equipment	64.1	57.5	58.1	57.5Z
20 Railroads	53.2	47.0	49.1	49.1
3 Realty	51.5	47.6	48.1	48.6
3 Shipbuilding	269.9	228.7	233.3	231.0
3 Soft Drinks	407.5	342.4	383.5	390.3
11 Steel & Iron	151.4	135.7	139.9	138.5
3 Sugar	59.8	51.9	51.9	52.5
2 Sulphur	625.9	543.3	555.0	566.9
5 Textiles	162.2	119.6	121.3	119.6Z
3 Tires & Rubber	89.7	74.6	76.3	74.6Z
5 Tobacco	101.6	90.8	100.7	101.6
2 Variety Stores	319.5	294.9	298.0	301.1
16 Unclassified ('49 Cl.—100)	125.7	107.7	107.7	107.7

Z—New Low for 1953.

Trend of Commodities

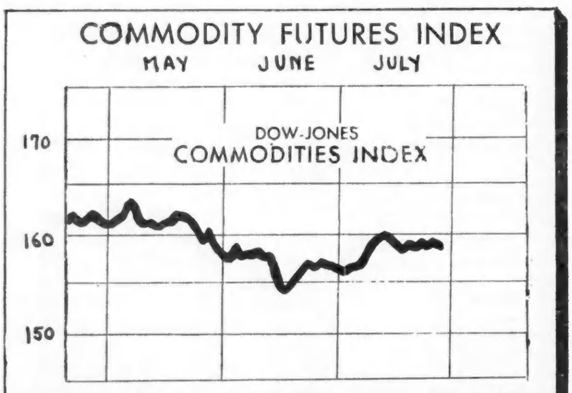
Commodity futures were mixed in the two weeks ending July 27. The Dow-Jones Commodity Futures Index showed an inconsequential loss of 0.25 points during the period to close at 158.26 where it was more than three points above the year's low reached in mid-June. The market experienced no serious liquidation on July 27, the first trading day after signing of the Korean armistice although most commodities closed behind minus signs. Wheat futures have been strong in the two weeks under review and the September option closed at 197¼ on July 27 for a gain of 3¾ cents from July 13 levels. Peak harvesting of winter wheat has passed without any serious distress selling that would have resulted if storage facilities were inadequate. However, the harvesting of the Spring wheat crop which is about to begin will constitute a further test of the adequacy of available storage. The Department of Agriculture has estimated that storage bins can be built at a cost of 24½ cents per bushel of capacity. With wheat prices currently more than 40 cents under the Government crop support level, it will pay farmers to secure storage facilities and put the grain in a non-recourse Government loan. September corn lost 1½ cents in the fortnight ending July 27 with all of the loss incurred on the last day of the period. News of needed rains in the corn belt brought in sellers as did the final achievement of a Korean peace. Regular sales of CCC-owned corn have also acted as a price depressant. The main supporting influences are the price support program and the improved feeding ratio which should bolster consumption.



U. S. DEPARTMENT OF LABOR INDEX OF 22 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

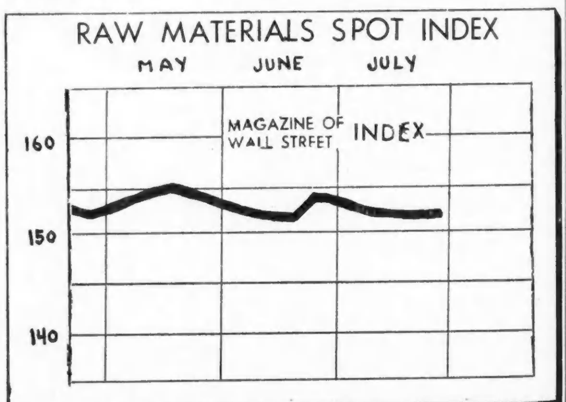
	Date July 27	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	88.2	87.4	87.7	96.7	53.0
9 Foodstuffs	91.0	90.0	89.5	95.7	46.1
3 Raw Industrial	86.0	85.5	86.3	97.3	58.3

	Date July 27	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
5 Metals	96.8	96.7	94.7	115.0	54.6
4 Textiles	90.8	90.2	88.0	93.1	56.3
4 Fats & Oils	57.9	56.0	60.7	64.5	55.6



Average 1924-26 equals 100

	1953	1952	1951	1945	1941	1939	1938	1937
High	170.1	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	154.6	168.3	174.8	83.6	58.7	61.6	57.5	64.7



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	152.4	160.0	176.4	98.6	58.2	48.9	47.3	54.6

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Kimberly Clark Corporation

"Please furnish information regarding Kimberly Clark Co. as to recent sales volume, earnings and dividend payments."

R. L., San Antonio, Texas

Consolidated net earnings of Kimberly Clark Corporation and its subsidiaries in the fiscal year ended April 30, 1953 were $8,746,393 after income and excess profit taxes compared with $11,305,913 after taxes the year before.

After preferred dividend requirements, the 1953 fiscal year earnings were equal to $4.08 a share on 2,044,951 shares of common stock outstanding, as against $5.29 a share on the same number of shares the preceding year. Higher labor, material and freight costs, lower prices on some products and unfavorable Canadian exchange conditions were cited as factors that created lower earnings in the face of record high sales and total receipts.

Consolidated net sales were $163,620,794, compared with $153,761,829 a year ago. The increase is attributed principally to the inclusion in fiscal 1953 of two new subsidiaries, the Munsing Paper Company and Katzenbach & Warren, Inc.

Current assets at April 30 were $58,112,886 compared with $51,928,540 the year before, and current liabilities were $11,643,603 as against $14,031,283. Working capital increased 22.6%, from $37,897,257 to $46,469,283. Cash and marketable securities totalled $20,881,071, a figure $9,237,468 greater than all current liabilities.

Long-term debt was reduced by payment of $1,200,000 of the corporation's 2% collateral notes and $800,000 (Canadian funds) of 3% bonds of a Canadian subsidiary.

The gross property account of the consolidated companies was $137,388,819 at April 30, compared with $127,847,198 at the close of the preceding year, an increase of $9,541,621.

The company's expansion program of recent years has provided sufficient production capacity to meet immediate foreseeable demand so that now the company is in a position to take advantage of future demand increases. Prospects over coming months appear favorable.

Dividends in 1952 totalled $2.40 per share and the 60 cent quarterly rate has continued in the current year.

H. J. Heinz Company

"You have stated in your valued publication that the food business is relatively stable in demand and therefore, would be interested in receiving late data on H. J. Heinz Company as to operating profit, sales volume, dividends and other pertinent information."

S. E., Harrisburg, Pa.

For the fiscal year ended April 29, 1953, H. J. Heinz Company showed consolidated sales of $219,573,998, or 7% ahead of last year. Sales of the American company amounted to $145,797,760, a gain of 3% and sales of foreign subsidiaries in total advanced 14%.

Operating profit of the company rose to $13,869,887, up 28% from last year's $10,852,300, while net income after taxes was $5,546,512, compared with $5,- ~~favorably affected by two sub-~~ 812,359 for 1952.

Last year's net earnings were favorably affected by substantial but non-recurring items. The company benefitted from an exchange profit of $658,258 in the valuation of Canadian current assets and 1952 income taxes were reduced by $785,000 through the elimination of the provision for excess profit tax made in 1951 fiscal year. This year increased profits from operations were almost enough to offset these two unusual and favorable items of a year ago.

Earnings per share were $3.09, as compared to $3.25 per share a year ago.

Dividends on the common stock declared and paid quarterly during the year totalled $3,040,447 or $1.80 per share. Dividends on the 3.65% preferred stock totalled $325,363. On the company's net earnings, 61% was paid in dividends, while the balance of earnings, amounting to $1.29 per share of common stock, was retained in the business to meet expanding needs for capital. This is the 42nd consecutive year in which the firm has paid dividends on its common stock following its incorporation early in the century.

The firm's fiscal year was highlighted by the introduction of a number of new varieties and packages.

In addition to 12 factories in the United States, Heinz also operates plants in England, Australia and Canada. The British company completed recently the most successful in its year, with the largest sales volume and the largest net income it has ever had.

Prospects over coming months appear favorable.

The Slump in Farm Equipments

(*Continued from page* 563)

girding itself to meet whatever changing conditions with which it would have to contend. Completion of important debt financing in 1952 has placed the company in a solid financial condition.

The outlook for others in farm implement industry through the balance of the current fiscal year and into the next is mixed. Those having defense backlogs may be helped by such business, although profit margins on this type of work are slim in comparison to that realized from sale of regular products.

In the accompanying table, we present a number of the leading farm equipment companies and pertinent sales and earnings data relative to each. In studying this tabulation we think it is important to consider carefully the significance of the figures pertaining to net margin, or percent of earnings to net sales and the variations between the full year 1952 and interim periods of 1953.

Sound Low-Priced Stocks

(*Continued from page* 555)

retained on an average of better than 60% of earnings for reinvestment in the business. Annual production capacity is now 22.5 million barrels, and current plans are to further increase output through a $4 million expansion program during 1953, and the additional expenditure of about $2.6 million for plant improvements. Except for the years 1932-35, shareowners have received dividends in each year since 1899. Payments in the last two years have amounted to $1.20 a share annually, a conservative rate when taken into consideration with the high coverage, which forms a base for the belief that upon completion of the expansion projects, management will adopt a more liberal dividend attitude. The current dividend rate gives a yield of 4.6% on a recent price of 26 for the shares, which appear to be priced to reflect dividend stability and growth potentials.

Masonite Corporation

This company is the leading manufacturer of hardboard sold under the registered trade-mark "Masonite" to retail lumber dealers and jobbers servicing the building industry as well as industrial users for manufacturing or fabricating processes. Other Masonite products are "Cellufoam", an insulating material made from aerated wood pulp, and through a subsidiary, two new items introduced is 1952, these being Marlite Hi-Gloss and Marlite woodpanel, which are reported to have been given a good market reception. The earnings record of the company tends toward the erratic, reflecting year to year cyclical changes, while 1952 net was depressed by increased competition and abnormally high costs of operation in getting production started at the new Ukiah, Calif., plant. These are factors accounting for 1952 net falling off to $2.49 a share from $2.81 in 1951. They continued to have an affect upon net for the first nine months of the 1953 fiscal year ending August 31, next, in which per share earnings were equal to $1.78 as compared with $1.94 in the same months of last year. Third quarter net, however, of 71 cents a share improved over the 58 cents a share shown in the same quarter of the 1952 fiscal year reflecting sales volume at the highest level of any of the three quarters. With start-up difficulties at the Ukiah plant overcome and opening up of new markets now being developed, Masonite is expected to show continued gain in earnings. The current $1.00 a share annual dividend, yielding 5.2% on recent price of 19 for the shares, is likely to hold at this rate until a more definite uptrend in earnings develops, although current net is well in excess of dividend requirements. The conservative dividend affords a satisfactory yield and the stock has attraction for its speculative possibilities.

Chas. Pfizer & Co.

With a background of more than 100 years experience in the manufacture of fine chemicals, Chas. Pfizer & Co., in recent years, has rapidly expanded with marked success in the production of vitamins, pharmaceuticals, animal feed supplements and an increasing lines of antibiotics, including terramycin, a product of the company's research laboratories. Net sales in 1952 of $107 million were at a record high, and compare with $100.2 million in the preceding year, and $60.8 million in 1950. Net earnings of $2.17 a share for the common stock last year, however, failed to match the $2.41 a share earned in 1951, due largely to overproduction by the industry of penicillin and streptomycin, prices for which declined about 40% from the 1951 level. Indications are that Pfizer's earnings reached a turning point in the first half of the current year. On net sales of $59.8 million, compared to $54 million in the first six months' of 1952, earnings for the common stock amounted to $1.48 a share, compared with $1.15 a share in last year's first six months. On the basis of this showing, net for the full 1953 year will probably run close to $2.75 a share, providing a comfortable margin over the present $1.15 a share annual dividend. At its recent price of 27 this dividend returns a yield of 4.2%. The company continues to push research activities, developing new and improved antibiotics, creating possibilities that make its shares an attractive holding for their long-range possibilities.

Pittsburgh Coke & Chemical Co.

Since the end of World War II, this company has expanded gradually from a producer of pig iron and coke in several directions, including the manufacture of agricultural chemicals, plasticizers, fine chemicals and related products, based primarily on the utilization of coal as a raw material. During the 7 years since 1946 sales registered continuous growth, increasing from $12 million in the latter period to $48 million in 1951, but declining to $38.7 million in 1952, the drop reflecting the slower pace of the entire chemical industry in that period. As a result, net earnings for the common stock last year, equal to $2.12 a share were approximately 50% under 1951 earnings equal to $4.08 a share. The company has now substantially completed the expansion program inaugurated two years ago at a total cost of about $19.4 million, from which it apparently is beginning to derive material benefits. This is indicated by the 42% gain in gross sales in the first half of this year to $28.1

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million, as compared with $19.7 million in the like period of 1952. Net income for the first six months of 1953 of $1.8 million, equal to $1.76 a share for the common stock, compares with $996,000, or 87 cents a share in the 1952 period, which, it should be noted, included work stoppage in June of that year as a result of the steel strike. Nevertheless, the actual rate of gain realized in the first half of 1953 is expected to hold for the balance of the year, which net for the common stock at approximately $3.00 a share, against dividend requirements of but $1.25 a share. This rate of dividend on the current market price of 24 for the shares affords a yield of 5.2%, an attractive return when weighed with the growth possibilities of the company in its expanding operations, particularly in the chemical field.

Radio Corporation of America

Both sales and net profits of RCA, one of the pioneers and leaders in the operation of radio and television broadcasting systems, and a manufacturer of television, radio and radio-electronic equipment, appear to be headed for new high records, topping 1952 sales of $683.9 million, and net profits of $2.10 a share for the common stock. Operating income for the first six months of $410.6 million was approximately $105 million ahead of the 1952 first half-year volume, with net for the common stock amounting to $1.18 a share, compared with 70 cents a share in the corresponding period of a year earlier. Through its extensive research RCA has made important contributions to electronic developments for both military and civilian applications, all of which, including the transistor, are expected to undergo considerable expansion. The company, upon receipt approval by the FCC, expects to be in production of color TV receivers that will also receive monochrome pictures by 1954. Although earnings are currently running at a rate that would justify an increase in the present rate, and the company has strong finances, this rate will undoubtedly remain unchanged in the immediate future, considering the need for working capital under the expansion program. The common stock, selling around 23 yields 4.3%, appears to hold long-term investment potentials.

United States Rubber Co.

Current outlook for U. S. Rubber, one of the "big four" tire manufacturers points to another sales record for 1953, which, if realized will make the fourth consecutive year of sustained uptrend in sales volume. In the first six months to June 30, last, sales of $453.8 million, a record for any first half-year, represented a gain of approximately $10.4 million over the 1952 half, with net earnings of $14.4 million, equal to $2.23 a share for the common stock. In the 1952 first half net was $12.9 million, or $1.95 a share for the common. An interesting feature of operating results for the first six months of this year is the 3.2% of earnings to net sales, in contrast to the 2.9% a year ago. With sales continuing at a fairly high level throughout the remaining months, and profits as per cent of net sales holding to the level established in the first half-year, 1953 earnings for the common stock should approach the $4.33 a share reported for 1952. Although the wide margin of earnings over dividends would normally indicate the possibility of an extra above the current $2 dividend rate, in view of the company's expansion program and need for maintaining working capital at the highest level, it is not likely that the current rate will be disturbed.

Victor Chemical Works

This company is one of the leading producers of phosphorus, phosphoric acid, and phosphate, and manufactures a varied line of chemicals sold for use by soap and detergent producers, the food industry, and processors in diversified industries. Over the 10 years through 1952 net sales of Victor have risen from $14.4 million in 1942 to a record $35.6 million in 1952. Earnings in the latter year, however, equal to $1.39 a share for the common stock were down from $1.60 a share earned in 1951 and $2.23 a share shown for the preceding year. While increased manufacturing costs cut into 1952 profits, another important brake on net results for the year was the abnormal expenses incurred in bringing into capacity operation new production facilities at the company's Silver Bow, Montana, plant. With these difficulties out of the way, the outlook for the current year indicates improved earnings, net for the common stock approaching, and perhaps bettering, an estimated $1.60 a share, a seemingly conservative estimate considering that net for the first half-year amounted to 90 cents a share. The current annual dividend rate of $1.05 a share has been maintained through 1951 and 1952, and yields, at recent price of 25 for the shares, 4.0%, which is comparatively low, but reflects investor evaluation of the issue on a long-term growth basis.

Four Low-Priced Utilities

Among the low-priced public utility stocks, the following four have appeal on an investment basis: Central and South West Corp.; Cincinnati Gas & Electric; Middle South Utilities, and Southern Company. All four are in energetically developing sections of the country and their dynamics are by no means exhausted. Central & South West operates in the mineral and petroleum-rich sections of Oklahoma, Arkansas, Louisiana and Texas. These regions are also important in agricultural products. Cincinnati Gas & Electric operates in the city of that name and the Ohio River Valley, one of the most important industrial regions in the United States. Middle South Utilities operates in the rapidly expanding industrial regions of Arkansas, Louisiana, Mississippi and, of course, New Orleans itself. It can be seen that the four above-mentioned companies share the characteristic of operating in regions that are destined to grow importantly over the next decade and more. As can be seen from the accompanying table, the yields on these four stocks vary from 5.3% to 5.5%, which is an excellent return for "growth" issues. In conformity with the practice of most utility companies, approximately two thirds of earnings are paid in dividends. Retained earnings are usually less percentagewise in the case of utilities than in industrials owing to the fact that the

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the great snark hunt

Looking for oil is often like looking for the snark, a creature which has one very odd characteristic: it doesn't exist at all.

For oil is just about the most elusive prey on earth.

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Because of such men, America's oil reserves are greater now than at any time in our history.

CITIES SERVICE

Quality Petroleum Products

Sound Low-Priced Stocks

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former runs virtually on a cash basis and, hence, are not as much in need of working capital as is normally true of industrial companies. As will be seen from the table, the margin of earnings over dividends is fully adequate in all four cases. Based on the steady growth of these public utility systems in highly favorable localities, there is reason to believe that current dividend payments can be adequately met. For investors who are particularly interested in a reasonable and comparatively safe return, these four low-priced public utility stocks merit attention.

Rail Equipments In Transition

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more immediately at hand, some of the rail equipment makers having sizable military contracts are concerned over the Pentagon economy move involving elimination of more than $1 billion of tank-truck orders. It is believed that this action may be the forerunner of cut-backs in other defense work. American Locomotive's Schenectady plant will be through, so far as the M-47 tank program is concerned, by next Spring.

By about January of 1954, American Car & Foundry will have successfully completed its job as a producer of self-propelled anti-aircraft gun carriages. The company states, however, that this contract termination "affects" only a small portion of the military backlog. It will, it expects, continue producing the T-98, a self-propelled howitzer carriage, while other contracts now in the negotiation stage will minimize the consequences of the recent order of the Ordnance Department.

As of June 1, this year, ACF had a backlog of defense orders totaling $183 million. This is $75 million under the defense work backlog at about the same time a year earlier, the drop reflecting in part, a change in type of products on order and a reduction, by the company, of about $42 million in tank prices. A $94 million backlog of orders for regular products on June 1, last is $31 million less than shown in the previous year. Obviously, defense work has made substantial contributions to ACF's earnings in the 1953 fiscal year, net being equal to $10.10 a share for the common stock. It is, of course, too early to essay a forecast of earnings in the current fiscal year. Factors that will have a bearing on operating results are the contraction or expansion in defense orders, the trend of freight car business, and the rate of activity of the company's various divisions it has created or acquired in its program of diversifying operations, making it less dependent on rail equipment business. Considerable strides have been made in this direction, the most recent acquisition being the Avion Instrument Corp., which ACF will use to give it entry into the field of electronics. It proposes to continue this diversification, expanding, at the same time, facilities for producing its "Carter" carburetors and fuel pumps and increasing the operating efficiency of its Shippers' Car Line Corporation.

To support and accelerate this program, the company has been endeavoring to put back into the business as great a percentage as possible of yearly earnings, maintaining at the same time a liberal distribution of net income to holders of the common stock. In pursuance of this policy, holders of the issue were paid a special $2 a share dividend on July 15, a 10 per cent stock dividend is payable August 15, to stock of record July 27, and four regular quarterly dividends of 75 cents a share each, have been declared payable beginning with July 2, last, and in each quarter up to April 1, 1954.

The locomotive builders, principally American Locomotive and Baldwin - Lima - Hamilton, will have smaller backlogs of locomotive orders through the remaining months of 1953. Earnings, however, should make a favorable showing, being supported by deliveries of orders now on hand and profit margins from other lines of activity, including defense contracts. Current dividend rates are likely to be maintained by both companies through the rest of the year. The outlook for 1954 is less certain. By next Spring, American Locomotive will wind up its production of M-47 tanks at the Schenectady Works. Baldwin also may find its armament contracts pared. Lacking any substantial volume of defense business to bolster earnings from sales of regular products, it is uncertain whether current dividends would hold through 1954. This is especially applicable to Baldwin because of its large common stock capitalization and the need to husband its resources to further the development of other lines that are enabling the company to become less dependent on locomotive business.

Although General American Transportation's backlog of freight car orders is below that of a year ago, there is a good possibility that this situation will show some improvement before the year is out as a result of its new "Airslide" special hopper car designed for bulk shipment of dry, granular and powdered products. Preliminary negotiations are now under way with a number of railroads and shippers for leasing this type of car which General American hopes, before long, it will have in quantity production for lease and sale. Meanwhile earnings of the company continue in an upward trend, indicating 1953 per share net in excess of the $3.03 a share earned in 1952 on the common stock, recently split 2-for-one.

Business in its car operating division, owning and operating a fleet of about 60,000 tank, refrigerator and other types of rail freight cars leased to carriers and shippers continues at a high rate. Completion of a new steel fabricating plant last year, and another one scheduled to go into production this year should strengthen the company's competitive position for field erection business in the United States and parts of Canada. It is expected that the plastics division will be on an earnings basis this year and some important results may be realized by 1954 from its newly developed nickel-plating process which it will license to other companies. General American has an unbroken dividend record extending back to 1919, which it will continue to maintain by placing the recently split stock on a $2 a share annual dividend basis.

Earnings of the majority of the other rail equipment manufacturers for 1953 will probably dip below 1952 levels. Westinghouse Air Brake, however, through its Union Switch & Signal Division as well as General Railway Signal should continue to benefit from

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Rail Equipments In Transition

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sustained buying of railroad protective devices. Diversification is helping Pullman, New York Air Brake, Pressed Steel Car and others in the industry to free themselves, at least partially, from the blight that cyclical business creates. However, the industry is still susceptible to fluctuations in demand for rail equipment, production of which continues to be a major source of earnings. Diminishing freight car and locomotive orders will be reflected in a lower volume of castings, air brake and other equipment. Defense contracts may be expanded or contracted. The course the Government pursues with regard to its defense needs will be shaped by world events. The outlook for the majority of the rail equipment manufacturers, looking ahead to 1954, is filled with uncertainties, favorable and otherwise. In this will be found the explanation for classifying many of the issues in the group as being highly speculative from the standpoint of dividend stability and lacking, at the same time, attractiveness when weighed for possible market appreciation.

Space does not allow for extended comment on each of the companies generally associated with the rail equipment business. In lieu of protracted remarks, we submit in connection with this appraisal of the industry, the accompanynig tabulation incorporating pertinent data pertaining to the companies, as also brief comment on 1953 earnings and dividend outlook.

For Profit and Income

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of these stocks is cheap on present improved earnings; and most are dear on a yield basis ranging from a little over 3% to 5% or so. Yields on such leading issues as A. & P., Kroger and First National Stores range from 4.3% to 4.6%. National Tea, around 28½, can still be bought on a conservatively attractive basis because most investors attach too much weight to the company's indifferent record prior to late 1946, too little to results since the present management took over. Around a 50% profit gain over 1952's OPS-depressed $2.05 a share is likely for 1953, the secure $1.60 dividend provides a current yield of about 5.6%, and there appears to be a better basis for a material dividend boost than in the case of any other food-chain stock.

Income

Good and reasonably secure current yields are offered by the following income-type stocks: Consolidated Edison 5.7%; American Gas & Electric 5.6%; American Telephone 5.8%; Beneficial Loan 6.9%; General Shoe 5.5%; Green 7%; Melville Shoe 6.7%; Sunshine Biscuits 5.7%; Ohio Edison 6%; Public Service of Indiana 5.7%; Woolworth 5.6%.

Big Name

Singer Manufacturing Co., whose principal product is the sewing machine of that name, has been in business over 100 years. It has been a gold mine for earlier insiders. The stock is traded on the American Stock Exchange, but not listed anywhere. Published information about this famous company's affairs and fortunes is far more complete than formerly, but still leaves something to be desired. More public interest has developed in the stock since it was split five-for-one in 1951. It is now around 38, less than 10 times 1952 earnings of $4.12 a share (consolidated). yielding over 6% on a $2.40 dividend. It has sold above 60 in many past years, above 70 in some. Is this Big-Name stock cheap, or is there something the matter with it? One thing the matter is that Singer has more competition, domestic and foreign, than in times gone by. Another is that profit growth in comparatively recent years has been under the average of industry generally. Stated earnings of $3.62 a share in 1935 were not bettered until 1950, and then by some 16% to $4.18. As a result of advances to subsidiaries, cash holdings fell from over $181 million in 1944 to about $44 million at the end of 1952. For the first time in its history the company has some long-term debt ($35 million). Finally, it may be noted that this stock made bull-market highs of 85 in 1936, 75 in 1946 and 66 in 1951. A pattern of descending major highs over a period of years is always suspicious. We have cited a number of such Big-Name situations as lacking in present investment appeal. Singer appears to be another in that class.

What Second Quarter Earnings Reveal

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the same period were: Caterpillar Tractor, General Bronze, Mullins Mfg., Lehigh Portland Cement, General Portland Cement, Avco Mfg., Ex-cello and Elliott Co.

As we have indicated, while higher earnings predominate, with an average increase of about 8% to 10%, the distribution of earnings is by no means uniform so far as individual groups are concerned. Steels, automobiles and aircrafts had the most successful operating conditions for the first half of the year. Chemicals made a good come-back, building and construction has been mixed. There has been a moderate revival in textile earnings and tobaccos have come into their own, after the end of price control. Food companies are in a strong earnings position.

Many cross-currents are visible, despite the over-all satisfactory earnings position. At the end of the second quarter, automobile manufacturers were commencing to adopt a more conservative buying policy with respect to materials. There are signs of growing congestion among the appliance makers. Some heavy equipment manufacturers are commencing to be affected by cut-backs in individual defense items and will have to replace this business by intensified efforts to compensate through seeking higher normal business. This means more competition

On the whole, it would seem probable that the second quarter represented the peak earnings period for the year and that some downward changes will occur in the third quarter, depending on the industry. Consumption still remains high, however, so that any slackening in manufacturing operations and business turnover should be slight. The fourth quarter, however, may witness the beginning of a more pronounced period of re-adjustment.

In the following, we present an individual, though brief, analysis of some representative companies

listed in the accompanying table. These represent assorted industries and offer a good cross-section of earnings conditions and prospects for the companies and industries, as well.

Caterpillar Tractor Co. Sales for the first half showed a substantial decline as compared with the corresponding period last year. The figures, respectively, are: $236 million and $260 million. In the second quarter, sales were $117.8 million, a trifle under those of the preceding quarter. Notwithstanding the drop in sales, per share earnings held up comparatively well, owing largely to elimination of premiums for the expensive "conversion" steel. With this additional operating expense eliminated, the margin of profit was relatively sustained, that for the second quarter being 4.8%, compared with 5.0% in the first quarter. Earnings were $1.42 per share against $1.49 per share in the preceding quarter. For the first half, earnings were $2.91 per share compared with $2.99 per share in the corresponding period of 1952. Charges for the full 30% of excess profits tax have been incorporated in these returns.

In 1952, sales to the government were only about 12% of the total so that any decline in defense spending should not of itself have a material effect on profits. On the other hand, the drop in farm income will probably lower the company's sales in the agricultural regions. Offsetting this, however, are the new facilities coming into operation, offering greater economy; and the company's newer types of machinery now coming to market. Over-all prospects for the balance of the year, however, would seem to indicate some moderate paring in earnings, as compared with the first half.

General Foods Corp. Though sales for this company in the June quarter (first 1954 fiscal quarter) showed the usual seasonal drop, at $173 million it stood $15 million above the corresponding period of 1952. At the end of fiscal 1953 (March 31), the company had completed the 20th successive annual gain in sales. It would appear that a new record will be made in the current fiscal year. In the 1953 fiscal year, sales were $701 million, a gain of $68.5 million over the previous year.

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What Second Quarter Earnings Reveal

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On a per share basis, the company earned 99 cents in the June quarter, compared with 92 cents in the corresponding period of 1952. Full year (fiscal 1953) earnings amounted to $4.31 per share after giving effect to a tax adjustment. While the June quarter results are inconclusive as indication of the full 1954 (fiscal) returns, it would seem, based on the current gain in sales, and cost control that earnings will probably make another moderate increase. A significant factor is the increase in physical volume, due to the introduction of many new products.

Included in the fiscal 1953 earnings was $4,294,000 in excess profits tax. While this tax has been extended for the balance of the year, its expiration next January 1, would mean the saving of about 75 cents a share on the company's 5,590,000 shares of common, assuming earnings before taxes were maintained, a fair assumption in view of the steady gain in sales; and especially in view of the probability that operating costs have reached their peak, notably labor costs. In the last fiscal year, the company paid four quarterly dividends amounting to $2.40 a share. This dividend seems thoroughly entrenched.

Johns-Manville Corp. Approximately $9 million were added to sales in the second quarter of 1953, compared with the first quarter. Presumably, the increase came from higher prices rather than any increase in physical volume. Net profit per share advanced to $2.02 against $1.56, reflecting the influence of the increase in net profit from 8.6% to 9.7%. With sales adversely affected last year, principally by the 32-weeks strike at the Lampoc, Calif. plant, comparison of recent figures with the first half results this year is not particularly useful. Of greater significance, is that the net profit margin during the second quarter of 1952 was substantially higher than the second quarter of this year owing to the fact mainly that earnings during the former period were not subject to the excess profits tax.

Looking ahead, the management has frankly referred to several adverse factors that are expected to come into prominence. Among them are excessive inventories in some manufacturing lines affecting the company's customers, arms spending leveling off, some competition from other domestic manufacturers, and an over-stocked condition among foreign users of fibre. The company feels, however, that any drop in demand will be only temporary. In the meantime, about $3 million will be spent this year on cost-reduction projects. From the longer-range standpoint, the company continues to improve its position through addition of new sources of asbestos fibre.

P. Lorillard Co. Sales in the June quarter reached the highest figure for any 3-months period in the company's history. They were $67.6 million against $55.2 million in the corresponding period of 1952. Net earnings were 65 cents a share, compared with 40 cents a share. In the first quarter of this year, they were 44 cents a share. For the full year 1952, earnings were $2.01 a share, compared with $1.78 a share in the previous year. Sales in 1952 registered a gain of 14% over 1951. Based on sales for the first half of this year at $119.4 million and the outlook for successful exploitation of its leading brand "Old Gold" and its king-sized Embassy and filtered Kent cigarettes, sales in 1953 should make a substantial gain over 1952. It is significant that the profit margin is increasing and for the June quarter was 3% of sales against 2.3% in the corresponding period of 1952.

With earnings expected to increase above the $2.01 a share shown in 1952, the company should be able to duplicate the dividend of $1.50 a share, including a year-end extra of 30 cents a share paid in 1952. In May, in order to provide for higher short-term loans the company sold $22.5 million in 3¾% debentures.

Republic Steel Corp. First of the big steel companies to report second quarter earnings, this company performed according to expectations and registered a significant gain over the strike-ridden second quarter of 1952. Earnings were $2.46 per share for the June quarter, comparing with merely 69 cents per share in last year's second quarter. In the March quarter, earnings were $2.26 per share. For the first half, earnings were $4.72 a share.

It is estimated that sales for the half were close to $600 million, with monthly sales for the March-June period averaging slightly above $100 million monthly. With the usual seasonal vacation period for the mill workers now in effect, it is expected that third quarter operations will decline somewhat so that it would be logical to look for a moderate reduction in net earnings for this period. Volume of incoming orders apparently is still high and it may be anticipated that the final half, while possibly under the first half, will still be on a satisfactory basis.

The company is steadily adding to its earnings potential. Recently, it has entered the field of powdered metallurgy and for some time has been active in titanium, steel kitchens, plastic pipe and aluminum windows. This process of diversification is an important step in reducing the dependence of the company on the more normal type of business traditional with steel companies.

The company paid $4 a share in dividends last year on earnings of $7.21 per share. With earnings for the current year estimated at somewhat above this figure, dividends should total at least as much as in 1952.

Union Carbide and Carbon Corp. With $528 million sales for the first half of 1953, all records were broken by the company for any similar period in its existence. After estimated income and excess profits taxes of $77.7 million, net earnings were brought down to $52.4 million, the second highest for the initial half year. This was equivalent to $1.82 per share on the 28.8 million shares of capital stock, comparing with $1.61 per share in the first six months of 1952.

In the June quarter, sales were $267.4 million compared with $260.6 million in the March quarter, and $221.5 million in the June quarter of 1952; a period which saw industry generally affected by the steel strike. Hence, the comparsion is somewhat distorted. Earnings were 93 cents per share in the second quarter against 89 cents per share in the March quarter. In the June quarter of 1952, earnings were 80 cents a share.

For the first six months of the year, the increase in income and excess profits taxes amounted to about $9 million, as compared with the corresponding period last year. This increase was equivalent to about 30 cents a share.

Total expenditures for new con-

struction last year amounted to $151 million, the largest in the company's history and it is estimated that at least as much will be expended this year for this purpose. Among the important projects of the company are expansion in the production of polyethelene, the plastic used in manufacture of "squeezable" bottles, for which there is apparently an unlimited demand. It is estimated that Union Carbide's production of polyethelene within less than two years will be more than double the total industry production now at 125 million pounds annually. This could amount to annual sales by the company of $100 million in polyethelene.

Based on returns for the first half and prospects for the balance of the year, it is estimated that full year's earnings will be in the neighborhood of $3.60-$3.75 a share. This would represent a gain of approximately 10% as compared with 1952.

Major Change Coming In Brazil?

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As in the case of the French franc, there is a flight from the cruzeiro, with people either spending their money as fast as they can, or protecting themselves by buying real estate. While the Canadians invest annually some $4 billion in the expansion of the productive capacity of their country, the Brazilians save for this purpose but a small fraction of their national income. In business too the general psychology tends toward a quick killing—a high unit profit rather than high volume.

Toward Bankruptcy?

The prescription for ending the inflationary chaos and restoring conditions which would encourage the Americans as well as the Brazilians to invest in the development of the resources of the country is simple. The prescription was tried in Peru and Mexico. In the first place Brazil needs to let the cruzeiro find its own level in order to bring her international payments into balance without resorting to severe exchange and trade restrictions. This, of course, is another way of saying that Brazil will have to admit that she is bankrupt. Devaluation by itself would be meaningless, however, without Brazil's refraining from the use of printing press. To do so, the Government would have to balance its budget and sacrifice the present, altogether too fast, industrialization to the promotion of a better balance among individual sectors of the economy. This would mean primarily pushing agriculture and streamlining raw material production by reducing costs – at the expense of the manufacturing industries.

Some of the steps toward ending the inflationary chaos have already been taken, but only half-heartedly. Exporters of certain commodities receive payment for foreign exchange surrendered at the free market rate for the cruzeiro which is now around 47 cruzeiros per dollar as against the fictitious rate of 18 cruzeiros per dollar still received by the coffee shippers. Brazilian imports from the hard currency areas are being reduced drastically to save dollars for the repayment of the commercial backlog and to finance the purchases of capital equipment for various development projects.

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Major Change Coming in Brazil

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However, the big export surplus shown in Brazil's trade with the United States in recent months is unreal, for the simple reason that the country has a huge dollar petroleum bill to pay to Venezuela and the Dutch West Indies (around $160 million a year at present) and payments for freight and debt service also absorb over $150 million.

The Brazilians still believe that these half-measures in combination with the capital inflow from the United States will somehow plug the gap in their international payments and that they can avoid drastic belt tightening. But it appears more and more that real surgery on Brazilian economy will be unavoidable after all. The coffee crop has been seriously damaged and unless the Brazilian Government is able to force coffee prices up from the present levels, the prospect is for a drop in dollar earnings. Pushing up the price of coffee might backfire and lead to lower consumption of coffee in general. Meanwhile cotton, the second most important export product, is overpriced and moving out largely as a result of barter deals. The exportable surplus of rice is small.

Strong Measures and Strong Leadership Needed

It has been already noted that there is a similarity between the situation in France and in Brazil. Both countries are weakened by chronic inflation; both have priced themselves out of world markets and, one may add, both are suffering from a similar type of internal political strife. As in France, so in Brazil, the Administration remains indifferent to the plight of the country and undecided as to what to do. It has been said that President Vargas made a strong executive as a general who usurped power, but a weak one as a popularly elected president.

On one hand the Government was intimidated by nationalist parties into passing laws that are discouraging to the foreign investor. The law nationalizing the petroleum industry, for example, is costing the Government some $160 million a year in precious foreign exchange paid for imported petroleum. This amount might be saved if foreign companies were permitted to exploit the country's petroleum resources. As it is, there is neither money nor know-how in Brazil today to carry out such a project.

On the other hand, the Administration is hesitant to take strong counter-inflationary steps for fear that such measures could lead to business recession and by creating unemployment alienate the factory workers who are the chief supporters of the Vargas regime. However, inflation is already doing just that. As real wages decline, the communists, always strong in Brazil, and other radical groups are gaining converts.

What hope is there for Brazil? "I have faith in Brazil," declared Dr. Oswaldo Aranha, former Brazilian Ambassador in Washington, and one of the best friends this country has in Brazil when he was recently inaugurated as the Minister of Finance. For the long pull we agree with him. We also agree with him that "Brazil, without boasting, can be said to have an immense future, reaching ahead farther than an eye can perceive" and that "Brazil will be one of the leading nations by the end of the century."

The question is, however, what will happen in the crucial months ahead. The answer lies in steps the Brazilians take. President Vargas' term is ending and there is hope that Brazil's next choice for president will be resolute enough to take measures to bring the debilitating inflation to an end. Without the Brazilians themselves having faith in their country and in their currency, American investors cannot bail them out, no matter how much money we agree to pour into their country. "Investment that is financed by inflation," says the Bank of International Settlements in its last report, "will soon be found to be no investment at all... since it eats up already existing assets (reserves) as fast as, or even faster than it brings forth new productive assets." Even the proposed funding of the $300 million loan from the Export-Import Bank would not help, as some people think. As long as the Brazilian government continues to

finance itself by huge budgetary deficits, and as long as production costs remain high and prevent the expansion of exports, the cruzeiro will remain under a constant threat of collapse.

Revolutionary New Products of Leading Companies

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precise position of the moon 100 years hence, an electronic computer will provide the answer.

Computers, however, serve the down-to-earth business, too. A Middle West utility company reported saving $15,000 annually on its labor costs. The firm used three computers, instead of a dozen old-style machines, to turn out 30,000 bills daily. Banks are finding these devices useful and economical in listing, proving and endorsing checks simultaneously.

New Products and Competition

Probably the best gauge of a new product's usefulness and success is the amount of competition it attracts. While I.B.M. got the jump on the office-equipment industry in the electronic field and probably continues to be the only company that is making important money out of the new development, the runners-up in that field are threatening to cut into the business sharply.

The situation in the field of antibiotics and so-called miracle drugs probably is an even better case in point. Yet another is the air-conditioning field, where Carrier Corp. and York Corp. once had the field pretty much to themselves. They continue to lead the industry, but they probably wish they had attracted less formidable competitors than Chrysler Corp., General Motors Corp., General Electric and Worthington Corp. Even companies that don't make air-conditioning equipment have gotten into the act—among them R.C.A. and Crosley. Philco Corp. recognized it for the bonanza it was many years ago, yet continues to ride along with York as its manufacturer.

Still, the prospect of competition has never kept a good product off the market. Only the Government can do that—as witness its fumbling with the color TV problem and the thwarting of the ex-

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Revolutionary New Products of Leading Companies

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ploration of offshore areas for oil and other minerals.

Competition, indeed, is the greatest spur to new ideas and developments. General Foods has spent about $100,000,000 in the post-war period just to develop a host of new convenience food items. National Biscuit Co. has to produce a better, more eco-spent $20,000,000 on just one plant to produce a better, more economical product.

Probably the most striking development in the food field since the end of World War II is the upsurge in the sales of instant coffee. Back in 1946, one of every 20 cups of coffee poured in the United States was of the instant variety. Today, it is one out of five. Sure, the competition is keen, but members of the trade will admit, although not for publication, that they never had it so good—profits are bigger than in the conventional coffee field. And the housewife just loves it for the convenience.

There has been no attempt here to canvass thoroughly the field of new products, which grows by the scores with each passing day. In fact, they come in such a flood that newspapers and magazines now have columns devoted exclusively to the subject. And the subject matter figures to become even more massive and unwieldy as the lively minds of a people who have evolved the finest industrial technique mankind has ever known continue to give us the benefits of their research.

The new products editor of Pravda, if such there be, must have a sinecure alongside his American opposite number, although his masters have claimed the invention of everything from baseball to aircraft.

Trend of Events

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give us greater satisfaction. The fact that an extra expense is incurred, perhaps, long before the actual need for it does not concern the average American as a serious drawback. This is waste, of course,

(*Please turn to page* 588)

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but it does not matter since, as a result of it, the factories are kept busy and the stores filled with buyers.

In what respect then, is our economy unique? All other peoples, of course, share with us the natural human desire to have as much of the necessities and comforts of life as possible. The difference, we think, at least so far as other Western nations are concerned, is that there is an undue regard for thrift in these instances, too much penny-pinching, and, on the whole, a lack of enterprise. The difference, also, we think, is that whereas other peoples abhor waste in the mistaken belief that they cannot afford it, to us, waste in the form described, is equivalent to strengthening the bases of an expanding economy. It is significant that our national temperament does not favor the manufacture of goods that "can last forever". We want rather something that will serve us well, even for only a short time. If it threatens to wear out or if a new and better product is placed on the market, we do not hesitate to make the change. This may not be thrift, in the accepted sense, but it certainly fits the American scheme of things and, as our economy proves, it works.

Safest Investment Policy in To-day's Market

(*Continued from page* 539)

or 1950. These selective internal adjustments have tended to reduce over-all technical vulnerability at any one time.

You should continue to emphasize the individual soundness of stocks held, and to maintain a conservative ratio of reserve funds.—Monday, August 3.

As I See It!

(*Continued from page* 537)

business trends next year. It is commonly expected that a final settlement of the Korean war and a consequent lessening of world tensions will have an over-all effect on business conditions, though its dimensions may be less than anticipated. However, the Administration must prepare for any eventuality and in the case of a severe business adjustment would have to act swiftly to counter the effects. No doubt, in this respect, at least, it will be enabled to make its plans and marshall its forces. Aside from this probability, it would seem that the best the President can do in the interim between Congressional sessions is to fight to gain time on all fronts so as to effectively crystallize his thoughts and develop new plans and policies for submission to Congress when it returns to its duties.

BOOK REVIEWS

'TIS FOLLY TO BE WISE

By LION FEUCHTWANGER

Lion Feuchtwanger, one of the world's great novelists, has written the astonishing, intimate story of Jean-Jacques Rosuseau, the wisest and most foolish of all philosophers . . . the exalted, visionary, often ridiculous, little man whose heights of philosophical grandeur were equaled only by the degrading absurdity of his private life. It is also the story of his effortlessly adulterous wife . . . of the frivolous nobles of France who made it fashionable to read him, but who missed the point of what he was saying . . . and of the heroes, villians and fools who built the French Revolution on his words.

It is a story of great magnificence and great, ironic bitterness; but one, also, of true comfort and inspiration. For it relates how Rousseau, from beyond the grave, was avenged upon those who sinned most grievously against him. It tells of the good and the evil that came to the world largely because a cuckolded husband, who happened to be a greatly misunderstood philosopher, was murdered by his wife's paramour.

This, then, is the story of Jean-Jacques Rousseau, in life and in death . . . of his life as he lived it and as he described it in his celebrated *Confessions* . . . and of his spirit as it lived on and affected the destinies of those he left behind.

MESSNER $3.95

MADAME DE POMPADOUR

By DAVID MYNDERS SMYTHE

The picture most of us have of Madame de Pompadour, the Mistress of Louis XV, has been smeared into a vicious caricature by the historians of the French Revolution. Now for the first time in this country and for the first time in fifty years, a full-length sympathetic biography reveals the true story of the woman who almost from babyhood was reared to become Mistress of the King. Jean Antoinette Poisson was neither empty-headed, debauched, nor vicious. Scheming she may have been—to achieve the position she had been prepared for and to keep what she so incredibly achieved – but the real Madame de Pompadour was a charming, brilliant woman, tenderhearted and generous, more moral than her contemporaries at the Court of Versailles. Devoted to Louis XV and to the glory of France, she was a more astute politician than most of the King's Ministers; unusually talented, she was the patron of the great artists of her day, the founder of France's state pottery at Sèvres, the friend of the Philosophers and their ally.

WILFRED FUNK $5.00

INVESTMENT TIMING
The Formula Plan Approach

By C. SIDNEY COTTLE and W. TATE WHITMAN

Presented here is a critical analysis of formula plans, the most significant technique yet developed for coping with the cyclical hazards of equity investing. The book was written in order to provide active and prospective investors with a comprehensive understanding of formula plans, and information which is vital to a considered decision about their use in an indiivdual investment program.

The presentation envelops both theoretical and practical. The major emphasis is, as it should be, upon the latter in order that the investor may be provided with all the basic information and material essential not only to a full understanding of the plans, but also to a positive and ultimately most important decision as to their use.

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HOW TO BUY STOCKS

By LOUIS ENGEL

How much do you know about stocks and bonds?

Take the financial page of your newspaper. How much of what is printed there every day do you really understand?

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LITTLE BROWN $2.95

SOUTHEAST ASIA IN THE COMING WORLD

Edited by PHILIP W. THAYER

What are the responsibilities of the United States in this region and how is our foreign policy being carried out? What are the stumbling blocks to the economic development of Southeast Asia and what is being done to remove them? How and at what levels is the ideologic struggle being waged and are the Communists gaining ground? These and other problems—political, economic, cultural, and legal—are demanding worldwide attention both from national and international bodies. These are the problems with which this book deals.

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